EUROPE'S BUSINESS NEWSPAPER

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World news

Business summary

Concern in Fairchild Spain seeks as strikes buyout spread finance

were worried shoot growing indus-trial strike and claimed that unions had lost control over their me

and out control over their members and opposition parties failed to channel dissent.

Meanwhile, tracture invaded Machid in a farmers' protest; a doctors' strike spread to 80 per cent of the state hospitals; shipyard workers lashed with police in Cadiz; stopseveral plants; and the Communist-led Workers Commissions, Spain's second largest union, was meeting to decide whether to call a general

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strike next month. Socialist Party spokesman Txiki Benegas said in Madrid: "Dialogue has broken down. Trade unions have been overwhelmed by their standers and opposition parties are not serving the social interests they

Andreotti challenge

Mr Giulio Andreotti, the veteran Christian Democrat leader charged with forming a new Italian Govern-ment, challenged the Socialist Par-ty either to agree to compromises or take responsibility for early gen-eral elections. Page 2

Space weapons plea The Soviet Union called for the establishment of an international inspectorate to prevent deployment of weapons in outer space. Page 2

Hong Kong politics

China and Britain began talks on GOLD fell to \$405.00 (\$405.75) on Hong Kong's political transition the London bullion market. It rose ahead of the transfer of power to in Zurich to \$406.50 (\$405.75). Peking in 1997. Macao handover, Page 42

Killing postponed

Lebenese confirm of Jean-Louis \$130m over the past 18 months, Normandin, a French television plans to build a micro-computer technician kiduapped in Beirot which it claims will outperform any none than a year ago, said they had postponed his death sentence for AT&T of the US and Dutch partner

Reagan TV date

President Reagan, ending four manufacturer Page 31 months of semi-isolation from the press, will hold a televised news ti-based television operator prey toconference tomorrow, the White House said. Page 4

Anti-poliution drive

The Swiss parliament called for tougher government action to combat road pollution, but the lower house rejected calls for far reaching measures such as fuel rationing

S. Africa killings

Seven black youths aged from 15 to 17 were stabled and shot to death in the South African township of KwaMashu near Durban. The killings coincided with a school boy-coit and elashes between black radicals and supporters of the conservafive Zulu inkatha movement.

European 'superchip'

West Germany and the Netherlands have developed Europe's first combuter "superchip" prototype and hope to best industry leaders in Japan and the US into the market, West Germany's Technology Minis-

Colombia clash

Eleven guerrillas and eight policemen were killed when leftist rebels raided two remote villages in northeast Colombia.

Boy, 2, enthroned

The world's youngest Buddhist la-ma, a two-year-old Spaniard, was enthroned in Bharmsala, India and venerated as the reincarnation of a dead Tibetan lama.

US says it will move shead quickly with alternative financing plans folwith alternative financing plans fol-lowing the cancellation of proposals for Fujitsu to acquire 80 per cent of the company from Schimberger, Fairchild's parent company, Japa-nese reaction, Page 4; Details, Page

LONDON: The budget speech from the Chancellor of the Exchequer was greeted by a confident surge in both government bond and share price. The FT-SE 100 index rose 14.5 to a new peak of 2,006.3 and the FT Ordinary index added 10.3 to 1,586.9. Gilts jumped by around 1% points during the speech to end with net gains of 2 points as sterling moved higher. Details, Page 46 WALL STREET: The Dow Jones in-

chistrial average closed 36.36 at 2,234.80. Page 50 TOKYO: The Nikkei average surged to a new peak with a 99.38 gain to 21,514.73 on wohme of

1.94bn shares. Page 50 STERLING closed in New York at \$1.6040. It rose in London to \$1.5990 (\$1.5840); to DM 2.94 (DM 2.91); to Y243.0 (Y240.25); to SFr 2.46 (SFr 2.4350); and to FFr 9.7850 (FFr 9.69). The pound's exchange rate index closed at 72.1 (71.4). Page 43

DOLLAR closed in London DM 1.8340; SFr 1.5335; FFr 6.1025; and Y151.80. It rose in London to DM 1.8395 (DM 1.8375); to Y151.95 (Y151.60); to SFr 1.5385 (SFr 1.5375); to FFr 6.12 (FFr 6.1175). On Bank of England's figures the dollar's exchange rate index closed at 103.2 (193.4). Page 43

ADVANCED Micro Devices, battered US semiconductor manufacturer which reported losses of

a week in response to mercy pleas
from Moslem religious leaders and
what they described as secret propany they are forming with SAT, rench telecommunications to remain in the international bidding for CGCT, France's secondlargest public telephone exchange manufacturer. Page 31

ti-based television operator prey towarring shareholder groups, re-ceived an improved \$1.38bn offer from Mr Dudley Taft, former president and son of the company's fourder. Page 31

WORLD COCOA producers and consumers began studying a com-promise formula for a buffer stock in the cocoa market to stabilise prices and keep supply in line with

AUSTRALIA: Kerry Packer's Con-solidated Press Holdings and Larry Adler's FAI Insurance jointly launched an investment bank with initial capital of A\$50m (US\$34m).

Page 36 CARL ICAHN, chairman of Trans World Airlines and one of the most feared corporate raiders in the US, is under investigation by the Securities and Exchange Commission for possible violations of securities

laws. Page 31 EEC recorded its first visible trade surplus last year, estimated at Ecu 5bn (\$5.63bn) because of falls in oil prices and the cost of dollar denom-inated imports. Page 4

MEXICAN Government sold minority stakes in a third state-owned bank despite criticism that last month's sale of the country's two major commercial banks was at least partly an exercise in political

patronage. Page 34 RANCA della Svizzera Italiana, Lugano-based Swiss bank, plans to raise about SFr 50m (\$32.5m) in share capital through a 1-for-12 rights issue. Page 34

CHINA overtook West Germany as the world's third-largest shipbuilder behind Japan and South Korea.

Yugoslav Government defies wage law protests

THE embattled Yugoslav Govern-ment said yesterday it would stand firm on its new wage controls that strikes, amid signs of a looming clash with international creditors on debt rescheduling.

. In the most concentrated outburst of strikes in recent years, some 70 work stoppages, involving at least 11,000 workers, had occurred in the past week, Dr Janko Obocki, the federal Minister of Labour told a press conference yester-day. Roughly half these strikes took place in the republic of Croatia. Although much of the protest has

been concentrated in Croatia and around Zagreb, its capital, there are reports of growing industrial action throughout Yugoslavia, including the highly industrialised republic of

The immediate cause of the labour unrest is the new law of March

should be returned to company ac- in this country."

al Finance Minister, said the Gov- (the law) is unjust and economically ernment had no intention of re-scinding the new law. But many ob-Short, localised strikes are not servers believe that some modifica- uncommon in Yugoslavia, unlike tion, at least so as not to penalise the rest of Eastern Europe. The difthose workers who voted them- terence with the latest unrest is the those workers who voted themselves (in the Yugoslav system of concentration of strikes, 70 in a
self-management) modest pay increases last year, must be made if
the Government is to avoid a major
political confrontation.

The protest movement is "unwhich rose in the first two months

1 which virtually freezes wages at confederation. In the past 15 years their average level in the last quarnot a single measure has caused as needed to deal with the fact that ter of 1966. It requires that amounts much turbulence as this law. We've last year real wages rose 10 per paid this year in excess of this level never experienced anything like it

BY ALEKSANDAR LERI. IN BELGRADE, PATRICK BLUM IN ZAGREB AND DAVID BUCHAN IN LONDON

counts within the first half of 1987. His union wants the law to be
Mr Svetozar Rikanovic, the federchanged if it is to be kept at all. "It

ique," said Mr Branko Gretic, ex- of 1987 at an annual pace of 129 per centive secretary of the Croatia section of the Yugoslav trade union year. Mr Branko Mikulic, the Prime

cent (above the soaring inflation reate) while productivity increased only 0.6 per cent. The domestic economic crisis

comes at a critical "break point" in Yugoslavia's debt rescheduling agreements with western governments and banks. The banks had agreed to contin-

ne their reschedding of some \$3.5bn debt falling due in 1985-88 beyond the end of this month, only if official government creditors then seemed likely to continue their similar 1986-88 rescheduling arrangements.

getting a favourable progress report from the International Monetary Fund (IMF), which last year undertook to provide "enhanced monitoring" of the Yugoslav economy for the benefit of outside creditors. The latest IMF report on Yugoslavia, discussed by the Fund board last week, was distinctly unfavourable. The official creditors are due to

discuss future rescheduling arrangements with the Yugoslavs in Paris on March 30. Their current firm commitment to give Yugoslav-ia debt relief extends in fact until mid-May. But already some West

milar 1986-88 rescheduling ar-angements. The Fund was greatly relieved Yugoslavia's official creditors, last year to loosen its commitment however, have made continuation to Yugoslavia after a solid 6% years of their debt repayment relief ac-

Right is poised to rule in **Finland**

By Offi Virtanen in Heisinid

FINLAND'S conservative Kokoonus Party looks certain to ioin in a coalition government for the first time in 22 years after gaining nine seats in Monday's general election. Kokoonus, which won 53 seats against the Social Democrats 56, seems likely to push for lower taxes in an attempt to boost the economy and make government more sensi tive to hosiness interests.

It is unlikely there will be any change in foreign policy which has sought to balance the realities of Finland's common border with the

The Rural Party, which traditionally gets its support from poor, agrarian "protest voters" suffered a dramatic loss of nine seats and was relegated to eight MPs after having served four years in government Other disappointed protest parties include the Greens Kokoonus and its chairman, Mr

Ticks Soomings, are literally the

tional representation system.

The SDP and the Rural Party exnarrowing of the two sides' posi-tions over the helicopter comes at fatigue". The more objective explaan important time for the Bonn nation is that the country clearly

Differences between the armed discuss more sweeping security collinered by the focused on the night-villaboration between the two countries and the Stalinist leader Ms Kristiii na Halkola, who failed to be elected.

ROYAL

HERITAGE

PETERBOROUGH

Budget paves way for Thatcher to call early election

BY PHILIP STEPHENS AND PETER RIDDELL IN LONDON

THE BRITISH Government delivered a largely predicted budget yesterday which included tax cuts and a sizeable reduction its public borrowing, target, giving Prime Minister Margaret Thatcher room for manoeuvre to call an early general election. There is increasing speculation on a June poli.

Mr Nigel Lawson, the Chancellor of the Exchequer, said after presen-ting the set-piece economic package to parliament that he remained "re-laxed" about the date of the general election, which has to be called by June 1988. He added that, while he saw no compulsion for an early election, if Mrs Thatcher decided to go to the country early, "it will bring to an end the ridiculous preelection lever and there is some-

thing to be said for that." However, one Cabinet minister commented that the balance was still 50/50 between June and the early autumn, with the Prime Min-

Mr Lawson's speech of less than market shifted sharply lower.

pence in the pound, a 13hn dent and confidence-building (\$4.74bn) reduction in the target for the Government's public borrowing the FT-SE 100 index surged ahead in the coming fiscal year and a during the speech to register a 29.2-freeze on excise duties drew a pred-point gain at its best level but profictable welcome from Conservative Members of Parliament.

Budget details, Pages 16-28; Market reaction, Page 50

Mr Neil Kinnock, leader of the opposition Labour Party, which has been trailing in the opinion polls, and Mr David Steel, the Liberal Party leader, both attacked the budget for being a missed opportunity and not tackling the real problems of memployment and industrial

British financial markets mse strongly in response to the budget. which was seen as paving the way for an immediate cut in base lending rates. As Mr Lawson was delivister still to be persuaded on the ering his message to Parliament, interest rates on the domestic money

His cut in borrow Mr Lawson's measures, which in ahead of an election, but, in the and of £2bn in each of the following chuded a 2 percentage point cut in event, Mr Lawson's focus on reduc-years. the basic rate of income tax to 27 ing borrowing was regarded as pro-

On the London Stock Exchs it-taking reduced this to 14.5 for a sue and the failure of the two counfinish of 2,006.3,

Mr Lawson, unveiled tax cuts worth a net £2.5bn combined with a 54bn target for the public sector borrowing requirement in 1987/88. He also announced measures to help small companies, to encourage personal pensions, to close tax loop-holes and to promote profit-related

Mr Lawson, predicting the seventh successive year of economic growth in 1987, told parliament he had provided a budget built on success and a budget for success." He forecast that output would rise by 3 per cent this year, with even strong-er growth in manufacturing and exports, and that inflation would rise only slightly.

He re-affirmed the Government's eventual aim of cutting the basic rate of tax to 25p, but said the prioranti-climax both because of a lack-markets with their biggest budget prudent stance on fiscal policy. The histre and faltering performance by surprise. He had been widely ex- medium term financial strategy acthe Chancellor and because the pecied to concentrate the funds he companying the budget shows measures were largely as expected. had available on cutting taxes scope for tax cuts of £3bn next year,

Continued on Page 30

BUDGET SUMMARY

Budget measures will cost just over £2.5km (\$4bn) on an indexed basis. Income tax changes, to take effect after May 17, will cost £2bn in 1987-88 after in-

Corporation tax main rate will remain at 35 per cent Small companies rate and advance corporation tax will fall from 23 to 27 per cent.

Oil companies will get relief from petroleum revenue tax from new oil exploration in Britain.
One balf of an employee's profit-related pay will

Income tax basic rate will be cut 2 points to 27 per cent, worth more than & a week to a person on av Output to rise by 3 per cent in 1987, with experts and investment up by more than this figure. • Non-oil economy set to grow by 3% per cent in

• Inflation to edge up, perhaps over 4% per cent, before falling to 4 per cent by year-end.

• Current account likely to remain in delicit by about £2.5ha (\$4ha) in spite of strong predicted

growth in exports.

Money supply target range set at 2 to 6 per cent for narrow money, MO.

Public horrowing in 1986-87 at only 54ha, or 1 per cent of GDP, the second successive year of significant undershoot. PSBR target for 1967-88 at 54ha.

Japanese growth at 12-year low

amount since 1974, almost exclusively due to the adverse impact of sively due to the adverse impact of the higher yen.

Gross national product in real terms grew by only 2.5 per cent in 1986, well below the 4.7 per cent of monetary and fiscal policies designed to stimulate domestic designed to stimulate domestic designed to the pursuit of monetary and fiscal policies designed to stimulate domestic designed to the pursuit of monetary and fiscal policies designed to stimulate domestic designed to the pursuit of monetary and fiscal policies designed to the pursuit of monetary and fiscal policies designed to the pursuit of monetary and fiscal policies designed to stimulate domestic designed to the pursuit of monetary and fiscal policies designed to stimulate domestic designed to the leading in the pursuit of monetary and fiscal policies designed to stimulate domestic designed to the pursuit of monetary and fiscal policies designed to stimulate domestic designed to the pursuit of monetary and fiscal policies designed to stimulate domestic designed to the pursuit of monetary and fiscal policies designed to stimulate domestic designed t

ter it advanced by a meagre 0.8 per cent, attributable to the lower than ment and parliament have become usual winter bonus payments made totally consumed by a controversial by manufacturers to their work- tax reform package. Consideration

year, almost certainly means that would be broadly fiscally neutral. compensate for the relative slug-the growth target of 3 per cent for The impact of the higher yen gishness of exports.

THE JAPANESE economy ex- the 1986-87 fiscal year, which ends showed itself in various ways panded last year by its smallest this month, will not be reached. When measured in yen, as opposed At last month's meeting of fi- to dollars, the trade surplus in 1986

> However, the Japanese Governof new measures to promote growth

by only 6.4 per cent last year, barely half the 12 per cent advance of 1985

The Government has been urging its citizens to spend more to offset the fall-off in export-led growth. However in 1986, private con The poor fourth-quarter performance, allied to indifferent partial data for the early months of this year, almost certainly means that the top of the policy agenda. The two year, almost certainly means that the policy agenda the policy agenda. The two years but insufficient to would be broadly fiscally neutral.

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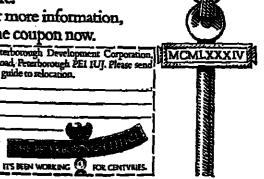
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_ CONTENTS

Companies 31, 34 Companies 31, 32, 34

Britain 6,7

Letters......14 Market Monitors 50 Companies 36, 37 Men and Matters 29



OPPOSITION

VIEW OF THE

BUDGET

BRITISH

Labour leader Neil Kinnock: demanding a different share-out of wealth, Page 19

Macao: Portugal prepares for handover 3 New York: fallen heroes of the Bronx . 4

FT Law Report: bank gains possession of dry rot house 8 Technology: brake on pace of change at Ferodo 14

Editorial comment: a bludgeon used gently; taxing times for Japan 28 Australia: Adsteam finds the right formula...... 31 Canada: Falconbridge tightens its

belt 32 Management: Thorn EMI's mixed fortunes 35

France, Germany close to military helicopter pact

BY DAVID HOUSEGO IN PARIS FRANCE and West Germany are

close to agreement over the joint production of a new military heliopter which would mark a major breakthrough in Franco-German erms co-operation. The agreement would come after three years of dispute over the is-

ries to agree to work together over the new European fighter aircraft and on a new generation tank. The project also reflects a new French determination to cut weapons procurement costs through European collaboration, as shown in the recently announced arms tie-

ups with Britain. French officials confirmed yester-day that General Maurice Schmitt, the chief of staff of the French army, and Mr Jacques Chevalier, the head of arms procurement in the Ministry of Defence, visited West Germany on Monday to settle the final details of the project, which has been a source of dispute between the two armed forces for

Mr André Giraud, the Minister of shortly for talks with Mr Manfred Minister, aimed at concluding an tion fighter aircraft. agreement and furthering other areas of co-operation.

of the helicopters which would be livered in the 1990's.

sion sighting device (with the Ger-

mans preferring equipment developed by Martin Marietta of the US) and over the placing of the pilot and Behind these differences have lain a fundamental dispute over the role of the helicopter. The French wanted a ground support version, while the Germans wanted both an

anti-tank helicopter and a ground support version. have now agreed on a single ver-sion of the helicopter with a European developed night flying and weapons sighting system mounted on the roof of the helicopter.

The project was originally con-ceived in 1984 and was revived by Mr Giraud in July after seeming close to collapse. In talks with Mr Wörner, the French then agreed to give a six month deadline to the armed forces and the two companies to see whether a compromise was possible.

The agreement goes some way to offsetting a string of disputes with lucky winners. The party gained on-West Germany over arms collabora-tion including the decision by West still took nine more seats whereas Defence, is also one to visit Bonn Germany to join the European figh- the Social Democrat Party's sup ter aircraft consortium rather than port dropped by 2.2 per cent, but it

David Marsh in Bonn adds; The The French and West German forces would each order about 200 Government, Mr Helmut Kohl, the wanted a change.

West German Chancellor, is due to Key politicians who did not make built by Aerospatiale and Mes- West German Chancellor, is due to serschmitt Bölkow Biohm and de- visit President François Mitterrand it to Parliament include the Comin Paris at the end of next week to munist Party (majority) chairman

Soviet Union with its Western or ientation. Kokoonus will now be flanked by the Centre Party, the second major nti-tank helicopter and a ground non-socialist party, which gained apport version. The two armed forces appear to The two seem likely to form Finland's first purely non-socialist gov-ernment for decades following a total swing of eight seats from left to right. The Socialists hold 76 seats, while the non-socialists have 124.

Andreotti in challenge to Socialists

Italian Government, yesterday challenged the Socialist Party either to agree to major compromises or to take responsibility for an early general

In his attempt to renew the five-party coalition formerly headed by Socialist leader, Mr Bettino Craxi, Mr Andreotti yesterday sought Socialist support on the basis of a formula for avoiding the referendums on nuclear policy and judicial reform due in June.

Fearful of being outflanked Fearful of being outfillanced by parties to their left, the Socialists have been the only governing party insisting that the referendums should go ahead. The tiny Social Demo-cratic Farty has been shifting towards this position over the past few days, but the Christian Democrats, the Republicans and the Liberals are all firm in the view that an Andreotti-led government would risk being torn apart by party conflict dur-ing the referendum campaign. Mr Andreotti's 11-page letter sent to the party secretaries yesterday is a key move in the search for tactical advantage in the political game launched by Mr Craxi's resignation a fort-

If the Socialist executive rejects Mr Andreotti's proposed approach, then elections due in June 1988 would almost certainly have to be brought forward. Acceptance, however, would appear to be a sign of weakness from a party which has already appeared to climb down by agreeing to contem-

MR GIULIO ANDREOTTI, the plate Mr Andreotti as Prime veteran Christian Democrat Minister, having originally leader charged with forming an called for other Christian Demo-

crat nominees.

The probability is that Mr Craxi will come back with counter-proposals aimed either at prolonging the government "crisis" until after his party's congress in two weeks time or at provoking a break-down in negotiations beforehand and transforming the congress into

a pre-election rally. a pre-election raily.

Another option would be to take up a Social Democrat proposal that a minority Christian Democrat-Liberal-Christian Democrat-Liberal-Republican government be sus-tained until the referendums are out of the way. This is unattractive to the Christian Democrats, however, because they could well be on the losing side of the vote on both

referendums.

An Italian referendum can only seek to repeal existing laws and it can be avoided only if Parliament does so before-hand. Mr Andreotti's letter, in effect, proposes handing victory to the sponsors of the referen-dums through a commitment to change the controversial laws in the context of broader Judicial and energy policy reforms.

It does contemplate the possibility that the judicial reforms might not be achieved in time, in which case Mr Andreotti in agree to campaign on the same position. But he is seeking to rule out any possibility of a referendum on the highly contentious nuclear issue. As compensation he offers the Socialists a vague undertaking

to discuss their demands for

directly-elected President.

Kohi gives keynote speech under Soviet scrutiny

BY DAVID MARSH IN BONN

THE Soviet Union is making with Nazi propaganda chief clear that the tone of a parliamentary speech today by Chancellor Helmut Kohl will be cautioning against expectations crucial in determining whether Bonn's relations with Moscow have emerged from their freeze
of the past few months.
Mr Kohl, who will be deliver-

ing to the Bundestag a keynote statement setting out his government's policies for the next four year legislative period, will also be under pressure to counter strong criticism of his leadership style

among his own supporters. He was re-elected Chancellor by the Bundestag last week by unexpectedia w majority four votes. This mainly reflected abstentions among dis-gruntled deputies from his Christian Democratic Union

(CDU) party. last autumn after Mr Kohl com- in wanting a return pared Mr Mikhail Gorbachev "normality."

cautioning against expectations of any "spectacular" joint projects between the two countries. West German industrialists also hope that more contracts will accompany an overall improvement in the climate. Kraftwerk Union, the West German power station company, has offered Moscow equipment for modernising its nuclear power plants but is still waiting for a reply.

Possible nuclear collaboration is among the industrial topics expected to be discussed in talks between West German and Soviet experts in Bonn at the beginning of April.

Moscow is now holding out CDU) party. the prospect of a controlled the Chancellor today is eximprovement in ties in expected to stress the importance change for conciliatory lan-of improving relations with the guage from Bonn. Soviet diplo-Soviet Union as part of general mats say Mr Kohl's speech will East-West peace efforts. This be scrutinised for evidence that follows the deep diplomatic rift the Federal Republic is sincere

Banker foresees greater exchange rate stability BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

an attempt to set up currency target zones, a leading West German central banker said

Dr Leonard Gleske, the Bundesbank council member re-sponsible for international sponsible for international economic co-operation, said that from a medium-term perspective the exchange rates of the major currencies may now be around "equilibrium" levels. There was reason to believe pacific debates of recent months that a further decline in the dollar would represent "overshooting and would eventually a ready substitute for all other action dealing with the more be reversed.

Speaking in London, Dr fundamental causes of interGleske said the aim of the Paris
agreement between the Group
he said.

LAST MONTH's Paris accord of Five industrial nations and between leading industrial Canada was to inject patience nations may mark the begin into the behaviour of the ning of an era of greater foreign exchange markets, exchange rate stability, but That would allow the sharp should not been seen as depreciation in the dollar's value since 1985 to begin revers ing the serious imbalances in the world economy—the huge US current account deficit and parallel surpluses in Japan and West Germany. Dr Gleske, however, stressed

Soviet call for check on space launches

By William Dullforce in Geneva

THE Soviet Union yesterday called for an international inspectorate to prevent deployment of weapons in outer space. This proposal was aimed at moving debate was amen at moving debate on an arms race in space of the dead center." in which it now languished, life Yuri Mazarkin, the chief Soviet representative, told the UN conference on

disarmament.

Inspectors would menitor the launch of any space object and would have a right of access to all objects designed to be launched and stationed in outer space.

By submitting such a farreaching proposal the Soviet Union was demonstrating that verification of any agreement to prevent an arms race in space was no problem for it, he added.

The US has emphasised that watertight procedures to prevent cheating must be incorporated in any nuclear

incorporated in any nuclear On its side the Soviet Union has instited in the separate bilateral talks on separate bilateral fains on nuclear arms control with the US in Geneva that President Renald Reagan's Strategic Defence Initiative (SDI) must be halted before a comprehensive disarmament accord can be concluded. SDI aims at deploying anti-missile weapage in mace.

weapons in space. Moscow's move to activate discussion in the 40-nation disarmament conference, which is mandated by the UN General Assembly to discuss space weapons, was seen by Western diplomats as an effort to step up the pressure against the SDI programme.

At the same time Mr Nazarkin reiterated earlier suggestions that the UN consuggestions that the total conference should try to elaborate an international agreement to ensure the immunity of artificial satel-

Protesters in Poland detained

POLISH POLICE detained five POLISH PULLE unmined peace members of an outlawed peace a and ecology movement outside a Krakow courthouse yesterday for protesting against their sched-uled trial, AP reports from War-

other members of the Freedom and Peace Movement in Wroclaw during a demonstration of supfusing to take the military outh. The five Krakow demonstra-tors earried a hauner and distrib-The five Krakow dea uted leaflets protesting misde-meanour court trials against members of the organisation, ac-cording to Mr Jacek Czaysto-wicz, a leader of Freedom and

They were scheduled to appear is the court yesterday in connec-tion with charges steaming from a February 13 demonstration protesting against the alleged torture of political prisoners in

Alghanistan.
In Wroclaw, about 20 people demonstrated outside the Wroclaw Medical Academy to protest can mencal Academy to protest against the expulsion of Mr Ma-rek Krukowski last year for re-fusing to take the military oath, Mr Camputowicz said in a tele-phone interview.

Banker warns on globalisation

THE INCREASING globalisation of financial markets has far our-stripped regulation of the mar-kets, posing unprecedented risks, a leading Swiss hanker warned

among bankers and other parti-cipants in financial markets, said Mr Hans-Juerg Rudloff, director general of Credit Suisse in Za-rich. "The fear factor is enormous

WORLD'S MAJOR TRADING BLOCS SEEK WAY TO END 30-YEAR IMPASSE EEC-Comecon to discuss formal relations

follows exploratory talks in Geneva lations with the communist econin September to review possibilities omies of East Europe, will lead the of an accord after 30 years of mutu-delegation from the 12-nation Comal non-recognition.

Experts from the two trading bioes aim to draft a joint statement deputy secretary of Comecon, or the on a general framework for relations which politicians will then taken will head the delegation rep-

Mr Christian Dufour, an official

day to discuss establishing formal same heads of delegations as last touched upon "specific areas of corelations, Reuter reports from Gentime with four or five experts on operation."

Mr John Masien, head of EEC re-

Poland's Mr Zdzisław Kurowski, resenting the 10-member bloc. The September meeting ended

Similar negotiations were broken off in 1986 when East-West relations deteriorated following Soviet intervention in Abshanistan. In Jamesy, the Community held its first-ever direct talks with Mos-

cow on establishing diplomatic rela-

Brussels, taken as a fresh sign of improved relations since Mr Mikhail Gorbachey took over Soviet

tion between the Community and Comecon run parallel to any exist-

Last year the Community won agreement from Comecon that any accord between the two trading blocs would not affect its ties with

individual Eastern bloc countries. The Community is negotiating nia Remaining members with Hungary, Czechoslovakia and golia, Vietnam and Cuba.

THE EUROPEAN Community from the EEC diplomatic mission with a joint statement saying talks leadership two years ago, are exRomania over commercial accords, with a joint statement saying talks leadership two years ago, are exRomania over commercial accords, is trade relations with East Romania over commercial accords, is trade relations with East Romania over commercial accords, in the community through the community from the EEC diplomatic mission with a joint statement saying talks leadership two years ago, are exRomania over commercial accords, in the community through the community from the EEC diplomatic mission with a joint statement saying talks leadership two years ago, are exRomania over commercial accords, in the community taking part in the talks, said yester had taken place in a "good and business" in the community taking part in the talks, said yester had taken place in a "good and business" in the community taking part in the talks, said yester had taken place in a "good and business" in the community taking part in the talks, said yester had taken place in a "good and business" in the community taking part in the talks, said yester had taken place in a "good and business" in the community taking part in the talks, said yester had taken place in a "good and business" in the community taken part in the talks, said yester had taken place in a "good and business" in the community taken part in the talks, said yester had taken place in a "good and business" in the community taken part in the talks, said yester had taken place in a "good and business" in the community taken part in the talks, said yester had taken place in a "good and business" in the community taken part in the talks, said yester had taken place in a "good and business" in the community taken place in a "good and business" in the talks, said yester had taken place in a "good and business" in the community taken place in a "good and business" in the community taken place in a "good and business" in the community taken place in a EEC governments have always pean communist states in 1986, the EEC governments have aways largely to huge imports of Soviet insisted that institutional recognitive and raw materials.

These imports were only partially ing or future accords with Comecon-member states. to the Eastern bloc.

> Comecon's Eastern European members are the Soviet Union, Bulgaria, Czechoslovakia, East Gesmany, Hungary, Poland, and Rome-

Turkish

widens

trade gap

THE FALL in oil prices in the

Middle East last year left Turkey with its largest trade deficit since 1981, the State Institute of Statistics disclosed

Institute of Statistics disclosed resterday.

The year-end deficit was \$3.6bn, 9 per cent up on 1985. Exports fell by 6.3 per cent to \$7.4bn, while imports also dropped though only by 21 per cent to \$11.1bn.

Imports of crude off fell by 45 per cent to \$11.1bn. Trade with Islamic countries, which has fuelled Turkey's exportled economic growth since 1980 fell sharply, though it came into surplus for the first time.

On the other hand Tarkey's exports to the OECD and the EEC have continued to grow by about 4 per cent.

Though the performance will disappoint those Turkish offi-cials who thought that the fall

in petroleum prices would leave Turkey with substantial

net benefits, perhaps bringing the current account deficit below \$500m, the actual result can be taken to mean that

Turkey's exporters are still making inroads into difficult

international markets even when "windfall" conditions in

Middle Eastern markets have

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Mitterrand urges greater effort in space

cois Mitterand said in an interview work towards this by pushing into a great international currency, published yesterday that Europe ahead with research and development of the European satellite and co-operation to avoid space beversion of the European satellite role between the yen and the doling monopolised by Washington launcher with the planned European satellite.

Corriere della Sera newspaper, Mr Mitterand spoke of his hopes for nological and monetary co-operation between European nations. He said Europe's role in space technology was crucial for its future, adding: "We must guarantee president said his hopes of Euro-the autonomy of Europe in such a pean nations using a common cur-way as to avoid the United States rency would take several years to and the Soviet Union monopolising

ing monopolised by Washington launcher — with the planned Euroand Moscow, Reuter reports from pean Space Agency Hermes space shuttle, and by taking part on an
in an interview with the Italian consists orbital station Columbus.

Europe could also co-operate in developing observation satellites of its own and beginning research into a European orbital space station. On monetary issues, the French

president said his hopes of European nations using a common cur- cal dimension, nor the economic ca-

"It is, however, possible to make

"Either the European Monetary

System (EMS) succeeds and Europe succeeds, or it will fall and Europe too will fall," he said.

Mr Mitterrand said the philosophy of "every man for himself" was

"If European countries do not unite, they will have neither the politipacity to confront military, industricompetition," he said.



Mr François Mitterrand

Lithuania chief acts against nationalism

THE COMMUNIST Party leader of Ethnic Lithuanians form a major- Catholic traditions and close histor-Soviet Lithuania has ordered more ity in their own republic, repre-energetic measures to counter na-senting about 80 per cent of the pop-with which it come formed a joint tionalism and religion in his repu-ulation of 25m. blic, which marks the 600th anniversary of its conversion to Catholicism next June, Reuter reports irom Moscow.

Central Committee meeting, Petras Griskevicius said the proportion of non-Lithuanians in the republic's in the Soviet Union's 15 republics higher education system had fallen have made since nationalist riots over the last 10 years.
"We must work more persistently

to eradicate all forms of nationalist

nology company, who is being sued

Mr Griskevicius' speech was reported in the Lithuanian party newspaper Sovetskaya Litva.

The propaganda must improve.

We must strengthen our arguments against religious views

His remarks echoed condemnations of nationalism and religious erupted in the Central Asian republic of Kazakhstan last December.

Fermenta founder's assets impounded

Lithuania, one of three Baltic re- proaches.

A STOCKHOLM court impounded represents a tiny fraction of the property worth SKr 800,000 SKr 570m he owes Swedish bank-(\$125,000) from Refact el-Sayed, ers Gotabanken.

unspecified shares and three cars, estimated to be up to SKr 1hn.

The impounded property, includ- crash of Fermenta stock during court.

Mr Griskevicius said atheistic

everywhere, and we must decisive ly and skilfully dethrone clerical exremism," he said.

Lithuania's official media wase a ermanent campaign against Catholicism but have stepped up their efforts this year as the anniversary of the nation's conversion ap-

January, now faces bankruptcy if The Egyptian-born entrepre- Gotabanken pursues a claim for its Stockholm's stock exchange last near's total debts following the share of the debts through the January because of what the bourse

Under Swedish law, El-Sayed, the 1986 accounts and slashed the who lost control of his principal company's profit forecasts from stake in Fermenta to creditors last SKr 800m to SKr 400m.

publics incorporated into the Soviet
Union in 1940, has strong Roman

The campaign centres on the arbe a
gament of official Soviet historians ties.

emonies marking the 500th anniv-ersary of the death of the nation's patron Saint Casimir.

A descon of the church in neighbouring Latvia told a news conference in Moscow last November that a papal visit to Lithuania this year was under consideration and might be approved by the Soviet authori-

company's profit forecasts from

Permenta was expelled from

board described as "unparalleled

chief guardian of the nation's cultural heritage, has been hostile or indifferent to Lithuanian interests.

Pope John Paul, who closely fol-

lows events in Lithuania, has said

he was refused permission to go to

the republic in 1984 to attend cer-

Murdoch in Lisbon talks

PRESS BARON Empert Murdoch is in Portugal to dis-cuss possible involvement in the local media, including a proposed private television chain-nel officials told Reuter in

Lisbon yesterday.

Mr Murdoch, a leading contender for the television franchise had dinner on Monday night with President Mario.

Soares, Parliament is shortly due to debate the partial prime. due to debate the partial priva-tisation of television, currently a state monopoly.

Netherlands votes today in local council elections

ing the contents of a bank account, 1986 to a tenth of its former value is Fermenta stock plunged efter an misconduct during the El-Sayed

BY LAURA RAUN IN AMSTERDAM

will choose a new First (Upper) Chamber of Parliament in June.

Some 744 council members in all 12 provinces are to be chosen in an election dominated by national issues, as usual, despite national politicians' efforts to stay out of the limelight, The cial colours.

Secondary issues, such as cent are held by the Christian Democrats and Liberals together, the governing coalition parties, and 30.5 per cent jointly by the Socialists and Democrats '66, the main opposition parties. The rest are

paint these themes in provin-cial colours.

VOTERS ACROSS the Nether- economy and unemployment Provincial and First Chamber divided among a bevy of small lands go to the polls today to have figured most prominently elections are held every four left and right-wing parties, elect provincial councils which local politicians trying to years and are based on propor. The Christian Democra First Chamber, although some predict that high unemployment

majority, provincial elect Sceptics also point to fore-poned to 1987.

Provincial and First Chamber divided among a bevy of small casts of a high voter turnout, years and are based on proportional representation. Of the 748
provincial council seats, 55 per cent are held by the Christian its comfortable 56 per 77 per cent of a night voter turnout, which generally helps the Labour party. Opinion polisters to have predicted that as many as cent are held by the Christian maintain its comfortable 56 per 77 per cent of eligible voters cent majority in the 75-seat may cast ballots, which would First Chamber, although some be significantly higher than the predict that high unemployment 68 per cent in the last provi-and weak economic growth will cial election in 1982. Due to deprive the coalition of its the general election last year provincial elections were post-

Weinberger hopeful about bases

ful that there would be an agreement to keep a reduced number of American forces Reuter reports from

Madrid.

Mr Weinberger told a news conference before flying to Turkey that he and Mr Narcis Serra, Spanish Defence Minister, had explored Spanish that there will be a satisfactory in the US military presence at four joint air and naval bases.

"There are indeed differences within those positions, but I think that with the degree of similarity and the degree of similarity and the degree of joint realisation as to how important it is to preserve weeken the two sides, which weinberger said the US proposals addressed the requirence within those positions of the two sides, which weinberger said the US proposals addressed the requirence about the talks as air links weinberger said the US proposals addressed the requirence about the talks as air links departing units must be taken over by Spain.

The strength of public feeling on the bases—regarded as the legacy of a quest by the late dictator Francisco Franco for international acceptability—was they were informed weinberger said the US proposals addressed the requirence about the talks as air links could only be approved if they did not affect the three Allied over by Spain.

The strength of public feeling on the bases—regarded as dictator Francisco Franco for international acceptability—was dights between Frankfurt and Lainzig and perhaps other cities together with Interflug, the weinberger said the US proposals addressed the require ment for cuts but reitarated and response in the talks as air links could only be approved if they did not affect the three Allied over by Spain.

The strength of public feeling over by Spain.

The strength of public feeling over by Spain.

A member of Laifthansa's board, Mr Frank Beckmann, said last weekend that the air line was international acceptability—was dight between Frankfurt and Lainzig and perhaps other cities together with Interflug, the two airlines in two deficials in the proposal addressed the require ment for cuts by any internations (Naton). In the talks as air links could only be approved if they did not affect the thr

MR CASPAR WEINBERGER, I'm very hopeful that ultimately the US Defence Secretary, ended a delicate visit to Spain reach a satisfactory agree of troops it is allowed to station perturbation bere, currently 12,500.

ment," he said.

Mr Innocencio Arias, chief

spokesman at the Spanish dition of a referendum a year

Foreign Ministry, said that Mr ago in which Spaniards voted

Weinberger's 36-hour visit had

weinberger's 36-hour visit had

to remain in the North Atlantic

Treaty Organisation (Nato). Mr

Weinberger said the US pro-

Lufthansa seeks regular services to E Germany

regular air services between the two German states. Allied officials in West Berlin seld yeserday they were informed about the talks as air links could only be approved if they did not affect the three Allied air corridors across East German to West Berlin.

LUFTHANSA, the West augurated a limited service German sirline, is negotiating during the spring and autumn with East Germany to begin regular air services between the two German states. Allied other West German cities. However, these involves a continuous and the continuous and ever, these involve a costly detour through Czechoslovak air space in order not to implage on the Berlin air corridors.

Mr Beckman ruled out Lufthansa flights to West Berlin, which it has long desired, "for the time being." Only aircraft registered in the US, UK or France can dy to West Berlin. West Berlin's governing mayor, however, proposed that Luft-hansa could fig to West Berlin on a north-south route which would not touch the Allied air corridors. Several Allied air carriers, however, have either begun regular services between West Berlin and Copenhagen or have applied to do so and would resist such competition.

Charismatic Walloon tries to bridge Belgian linguistic divide

live with regional differences. But I really think we are now entering a more adult phase in

government—is not always shared in a country which at times over the past six months has been made to look ludicrous by its apparently petty, albeit tion. deep-rooted language dispute. But the youthful and charis-matic Mr Wathelet—tipped by

his compatriots to fulfil his own This week, for example, the 38 year-old president of the Walloon regional executive,

"WE MAY be condemned to live with regional differences. But I really think we are now entering a more adult phase in Belgium's history."

That optimism—expressed by Mr Meichior Wathelet, the leader of Wallonia's regional contempt, the purpose of the gathering leader of Wallonia's regional contempts. A committed Federalist was in prol ideas on this fast.

Indicative between Flanders and slow to cock a snook at what message was that that notwith-sing indistries consider the country for accounting the region's declining businessmen and academics wallonia since the 1980 consider the country for academic stitutional reforms which set the complacency and backward-coal, steel and heavy engineer coal, steel and heavy engineer the country for a one day biotechnology constitutional reforms which set the complacency and backward-coal, steel and heavy engineer the country for a one day biotechnology construction for us ference at Liege. Sponsored businessmen and academics wallonia since the 1980 constitutional reforms which set the complacency and backward-coal, steel and heavy engineer the country for the country and heavy engineer the complant of the company goes to form all over the country for the region's declining belgium has more pressing from all over the country for the country for the country for the country for the region's declining the region's declining belgium has more pressing from all over the country for the the purpose of the gathering was to pool ideas on this fast growing industry (well repre-sented in each of the major communities) and look for pos-

sible areas of future co-opera-Outside Belgium, such an occasion would barely merit a mention, but given the strong some as a future Belgian Prime Minister—can at least claim to be trying harder than many of

headlines late last year by emparking on what was dubbed his "Tour de Flanders" — Wallonia in Flanders has been effort and achieve greater building exercise during which he addressed Flemish audiences on the need for better mutual understanding and wider economic and political co-operation between the two regions.

The impact of his visit can be gauged by the fact that several Flemish newspapers — never wision channels the image of links to avoid duplication of effort and achieve greater efficiency.

Mr Wathelet insists that his brand of federalism is in no way incompatible with a strong regional identity — "I am a strong defender of Wallonia's interests," he adds, pointing to the risks of Flemish intransity and the risks of Flemish intransity in the property of the risks of Flemish intransity in the property of the risks of Flemish intransity in the risks of Flemish interests. The risks of Flemish interests in the risks of Flemish interests in the risks of Flemish interests. embarking on what was dubbed mention, but given the strong cultural economic and linguistic tensions between North and South—stretching back to the birth of the Belgian state in the early 1830s—the event the early 1830s—the event ton between the two regions.

The impact of his visit can be removed by the fact that several assumes much wider The impact of his visit can be significance.

This is the first common Flemish newspapers — never

clearly admires the pragmatic speeches in their native tongue. nesses; that his region is the policies of Mr Wilfried Martens, "It was concerned that be most important trading partner the Prime Minister, Mr cause Belgians are reading for the Flemish people; and Wathelet captured the nation's fewer national newspapers and that it is not only possible but headling that the latter was a second or the second of the proposition of the second of the se "It was concerned that bemost important trading partner
cause Belgians are reading for the Flemish people; and
fewer national newspapers and that it is not only possible but
watching purely regional telehighly desirable to forge closer
vision channels the image of links to avoid duplication of

In a nutshell, Mr Wathelet's closer to home.

internationally mobile invest-ments—an activity pursued in-dependently and with equal vigour in North and South. Not so long ago," says Mr part of the country, the second

No one suggests that attitudes are changing overnight One example is the search for but the regional governments

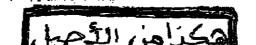
have recently set up a "hot line" to co-ordinate their promotional efforts and to ensure that outsiders do not Wathelet, "a team from one of the regions would go to the US Wallonia to "up the ante" unwith three possibilities in mind.

"The first was that they written "code of good would attract a company to their behaviour" at political level designed to outlaw the not unwas that it would go elsewhere common practice of promoting in the world, and the last, and most depressing, was to find reputation of the other. common practice of promoting

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Aguino denies CIA operations

By Richard Gourley in Manila By Richard Genriay in Manila

President Corazon Aquino yesterday denied knowledge of any CIA operations in the Philippines following reports that she had approved a multimilion-dollar operation against Communist insurgents in the Philippines that was authorised by President Ronald Reagan.

The report in Newsweek magazine quoted a "critical Washington source" as saying that Mr Reagan had approved the CIA operation which calls for intelligence gathering and the launch of undercover political activities in the Philippines. The CIA will add about a dozen agents to its 115-member station in Manila, the report said.

"The President is not server.

report said.
"The President is not aware

of, nor has she seen any American CIA plans for the Philippines and therefore cannot comment on the articles," a short statement from the presidential

HK press law under attack

THE Hong Kong Foreign Correspondents' Club asked Monday for a meeting with Sir Geoffrey Howe, British Foreign Secretary to voice opposition to the Colony's new press law, AP reports from Hong Reng.

The law, proposed by this British colony's government, makes the publication of "false news" that is likely to Cause public plarms cause public alarm a crime punishable by up to HK\$100,000 (£8,130) in fines and two years imprisonment. It took effect last Wednesday. Media, Church and academic groups have strongly opposed the measure.

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Indonesia curbs election news

INDONESIA announced restrictions yesterday on foreign journalists covering next month's elections, limiting access to the countryside and requiring authorisation to re-port on activities in the capital, Renter reports from Jakata. Information Ministry guide-lines issued to foreign reporters in effect restrict access to the countryside where 80 per cent of Indonesia's 168m people live. They require journalists to report their presence to the Information Department and certain government officials when they visit any of the 27 provinces of Indonesia.

Syria-Iran alliance perched on a Beirut knife-edge

OVER THE past few days as the life of a Western hostage in Lebanon has perched once again on a knife edge, so has one of the most important strategic relationships in the Middle Fact that between Strip Middle East, that between Syria

Distinct rumblings of anger Distinct rumblings of anger could be heard in Damascus as the Revolutionary Justice Organisation, one of the proliferating and loosely defined pro-Iranian groups in Beirut's southern suburbs, warned that it was about to execute Mr Jean-Louis Normandin, a French television technician. President Hafez al-Assad of

Syria sent his troops into West Beirut last month in a mission to improve the image of his country as well as to restore order to the streets. He also wants, it is assumed. to secure the release of hostages to improve his state's image in the West which was tarnished by the Hindawi affair in which

Andrew Gowers reports from Damascus on the strains wrought by the presence of Iranian fundamentalists in Lebanon on the close relationship with Tehran

from Heathrow to Tel Aviv.

The killing of a hostage not far from the Syrian guns would in all probability be interpreted in all probability be interpreted by Mr Assad—a cautious man but ruthless when roused—as a slap in the face. It might be enough to persuade him to send his forces into Beirut's southern suburbs which have been the principal breeding ground for pro-Iranian Shia militancy. Even if Mr Normandin is spared, many observers believe broader confrontation is brew-ing between Syria and Iran in a Jordanan, carrying a Syrian spared, in passport, was convicted in broader c London of attempting to blow up an El Al airline on a flight any case. ing between Syria and Iran in

If there were to be a breach of the country which sent his troops back into West support for Iran in the Gulf between the two countries, the repercussions could be profound. Syria has been Iran's into the Beirut slums. Iran's in Beirut's Basta district on unabashed ambition has been repercusy 24 at the hands of the economic under-pinning to create a second Islamic Syrian soldiers. relationship allows the Iranian republic in Lebanon on the relationship allows the frantal leadership of the Ayatollah Ruhollah Khoemeini to maintain that its campaign is not a confrontation with the Arab world in general, but is solely aimed at deposing the Iraqi regime which both the Ayatollah and Mr Assad detest.

alibi would be a heavy psychological blow for Tehran. It is not as if the latest tenit is not as it the latest ten-sion between Syria and Iran is an isolated incident. Sparks have flown sporadically between the two countries ever since Syria permitted Iran to send Revolutionary Guards into Lebanon's eastern Bekaa

The withdrawal of such an

Tehran's influence in Lebanon-through its proxy, the Hizhoilah, or Party of God-has grown steadily since, abetted by the radicalising effect of Israel's 1982 invasion

very doorstep of radical Moslems' sworn enemy, Israel.

It is equally clear that such an idea is anathema to Syria's Baathist regime which has always claimed rights to ulti-mate influence over events on its western border, and which has itself faced a challenge in the past from religious funda-mentalists—albeit of the Sunni rather than Shia Moslem

Even if Mr Assad sympathises with the Iranian aim of striking at Israel, he is likely to be as unenthusiastic about Hizbolish's method of random attack in Israeli-occupied south Lebanon, as he is about allowing an inde-pendent Palestine Liberation Organisation to flourish once again in the country.

This conflict of objectives has been thrown sharply into focus between Tehran and Damascus. by Mr Assad's decision to send The rationale behind Syria's

There has been a stream of high level Iranian visitors to Damascus in the past few weeks, including most recently Mr Ali Akbar Montashemi, the country's Interior Minister and former ambassador to Syria. While Tehran has sharply attacked Syrian actions, Mr Assad has made it perfectly

will do whatever it considers necessary to restore order in The confrontation may escalate further. Many observers believe that the Syrian forces mission will be incomplete unless they eventually move to disarm the Hizbollanis in the

Furthermore the trouble in Lebanon coincides with other potential reasons for strain between Tehran and Damascus.

to occupy Arab territory, some of the economic under-pinning for the Syrian-Iranian friendship has crumbled and there have been reports that Syria, which has a contract to buy 5m tonnes a year of cheap Iranian oil, has not taken any of its crude since last April. It is

also believed to owe Iran \$2.3bn in overdue payments. All this is not to say that Syria is about unilaterally to make a break with Iran. The clear that he will not brook such criticism, and that Syria bond which ties the two countries in the Gulf War is strong and Syrian officials emphasise their attachment to the general aims of Iran's revo-lutionary leadership.

Up to now, President Assad has been willing to pay the price in Lebanon—by allowing the Iranians an entre there — for his stance in the Gulf War. But it is by no means certain that he will continue to do so if his forces in Beirut meet real trouble from groups claiming allegiance to Tehran.

Car bomb at Syrian checkpoint

By Our Middle East Staff

A CAR bomb exploded in West Beirut at a Syrian Army checkpoint yesterday injuring one person and setting three cars on fire. It was the fourth blast in the city sector since Syrian troops occupied the sector of the city just over three weeks

There is no news, meanwhile, about the fate of Mr Jean-Louis Normandin, the French hostage, threatened with execution deadline of 6 p. m. GMT on Monday by the Revolutionary Justice Organisation unless Paris clari-fied its Middle East policy.

Sheikh Mohammed Hussein Fadlallah, the spiritual guide of the pro-Iranian Shia fundamen-talist Hizboliah which is believed to be linked to the organisation, said Mr Normandin's kidnappers had been influenced by his appeal on Sunday to spare the French TV crewman's life.

Portugal wants a step-by-step Macao handover

PORTUGUESE negotiators are Macao handover. The bitter returning to Peking today will- aftertaste of hasty, Marxisting and able to discuss the pressured decolonisation in gradual handover of Macao, the 1975 that left civil and tribal tiny territory on the coast of war in Angola, in shambles and the South China Sea that in due course, terrible famine, Portugal has administered for in Mozambique, severe over 400 years—but not sure economic difficulties in Cape that all ground has been Verde, Guinea-Bissau and Sao

the Chinese and Portuguese ap- 1976. proach to agreement over when and how Macao is handed back to the People's Republic of China appears to be that the

covered thoroughly enough to Tome/Principe and according to permit a draft final agreement at this stage.

The main difference between after Indonesia's annexation in

The main areas still to be agreed are:

How the five-year transition will work. Chinese are pressing for firm commitment to the earliest possible start-of-handover-date (possibly 1996) with work on details left for later. The Portuguese want to have the details cut and dried before committing themselves to 2



Traffic in Macao: reassessment by Portuguese banks and industrialists

tion. It is an oddity in Portugal's 400,000 population is Chinese. history of overseas administra-tion, because it was not a colony or "overseas province" (the old or overseas province the old Portuguese euphemism for colony), but a Chinese territory conceded to Portuguese management almost half a mil-

The Portuguese presence is far less-perceptible, apart from the architecture, than it was in Africa. Only a few thousand details cut and dried before cally-burning question — What downstring themselves to 2 will happen to the highly born: 50 Chinese Macaenses of the last outpost of granted after 1975 for Portuguese overseas administrative guese citizenship, the rest of the make g mess of the last outpost of guese citizenship, the rest of the last outpost of guese citizenship where Chinese refugees from However small and low-tring live in substandard profile the Portuguese presence of quarters with little hope of the and however deep the desire not integration into Portuguese overseas administrative guese citizenship where Chinese in Macao.

However small and low-tring themselves in Macao.

However small and low-tring themselves in Macao residents in Macao residen

territory is due for handoversometime between 1996 and the turn of the century—Portu-guese bank and industrialists are reassessing Macao as a gate to Far Est amrkets. A pharmalenium ago on an emperor's ceutical plant, Hovione, opened agreement until further notice. early this year, Portugues's Tudor the Portuguese presence is batteries is building a unit and privately-owned Portuguese the architecture, than it was in

to be a deeper desire to be seen Paradoxically, now that the to resolve Macao without haste, naivete or concessions that might provoke unease among the Macaenses and lead to another rush of refugees to Portugal. Harsh memories do not fade

easily: the despair of 750,000 refugees from Africa flooding Portugal in 1975 and deprivation that persists in fields outside Lisbon's national stadium

Australian current account deficit cut by trade boost

BY CHRIS SHERWELL IN SYDNEY

the Prime Minister, and Mr coalition with the Liberals at Paul Keating, the Treasurer, crucial meeting in Canberra. who said the figures proved the The single defection, con Government's economic policies " are right and are working as

The closely-watched figures were broadly in line with ex-pectations and, as in previous months, the foreign exchange markets took the news largely in their stride.
The Australian dollar streng-

thened to finish at 68.7 US cents, up half a cent, prompting Mr Hawke to reaffirm his belief that the country's high interest rates would come down this year, before the next election. Independent analysts expect

A RARE swing into surplus on able. Of the OECD group of the visible trade account helped countries, only Norway has a reduce Australia's February higher deficit as a proportion current account deficit to Sir Joh Bjelke-Petersen, the A\$750m (£334m) from Janu- Queensland Premier, who is current account deficit to Sir Joh Bjelke-Petersen, the A\$750m (£324m) from January's A\$1.24bn, according to balance of payments figures published yesterday.

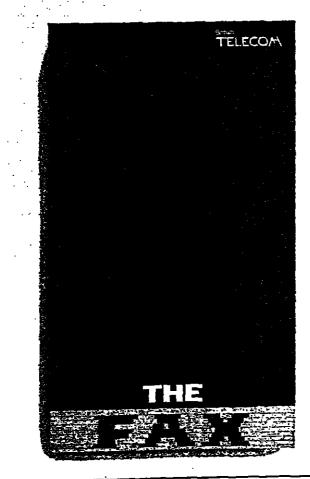
Labor Government, yesterday The improvement was seized forced only one public desection upon by both Mr Bob Hawke, from the National Party's coalition with the Liberals at a

The single defection, compared to the 12 Sir Joh origin-ally expected, means that the opposition coalition remains in-tact a while longer and that an unbridgeable division of the National Party has been tem-

But it also leaves the opposition languishing in crisis and assists the Hawke government at a time when its popularity is in question. An opinion poll out today indicates that an opposition led by Sir Joh would have won an election if it was held at the end of last month.

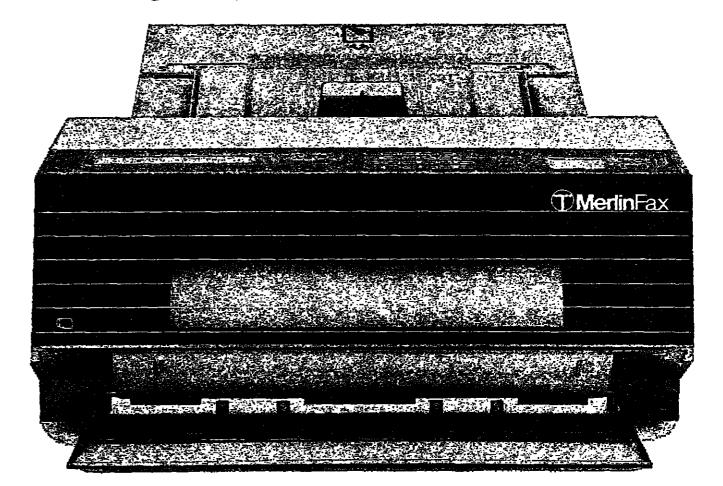
the current account deficit for the 1986-87 financial year end-ing in June to come in at National Party's Federal Counslightly above last year's record cit's scheduled to meet. There slightly above last year's record cut's scheduled to meet. There A\$13.7bn. They also continue Mr Ian Sinclair, the part to warn that this level, at leader at federal level, appears around 6 per cent of gross to have less chance of holding the line.

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By Bernard Sknon in Toronto

CANADA'S Progressive Conservative Government has un-equivocally linked conclusion of a free trade agreement with

or a free trade agreement with the US to the country's long-term economic well-being.

Making his strongest call for public support for the 10 months old negotiations, Mr Brian Mulroney, the Canadian Prime Minister, said during a Brian Mulroney, the Canadian Prime Minister, said during a special parliamentary debate that free trade could create "hundreds of thousands" of new jobs and help narrow the said dispersive among Canada's the deal. wide disparities among Canada's far-flung regional economies.

The government disclosed during the debate that negotiators are working towards a far-reaching agreement, to in-clude agriculture, industrial

subsidies, customs procedures, investment, services and intellectual property.

Remaining tariffs on the C\$170bn (£85bn) in two-way trade would be phased out over a period of 10 to 15 years.

Miss Pat Carney, Minister for Trade Said that International Trade, said that Canada had proposed dropping

federal government procure-ment preferences in return for an end to US Buy America policies insofar as they relate to Canadian suppliers. The Canadians are also pressing for an impartial bilateral tribunal to settle disputes. On the other hand, Ministers

said during the debate that Canada's regional development subsidies, social security pro-grammes, farm marketing oards and measures protecting cultural industries are not on the bargaining table.

After a meeting between the two teams in Ottawa, the chief US negotiator. Mr Peter Murphy, confirmed that both sides aimed to draw up a draft agreement by June. He cautioned however, that

visible trade surplus in 1986, estimated at just Ecu 5bn (£3.6bn), because of the slump in oil prices and the decline in the dollar-denominated cost of "we're trying to push forward with liberalising measures at a time when Congress is going in just the other direction."
The special debate has helped The imports bill for the 12 modities.

The steepest very the steep thrust the free trade issue to the centre of the Canadian political stage. The Government has become increasingly — the steepest yearly decline ally rose in volume by 7 per in the history of the Community cent, this was submerged in an —from Ecu 406bn to an estioutspoken in its support for free trade in recent months as mated Ecu 335bn for 1986.
Exports from all the EEC countries to external trading chances of an agreement have

brightened.
Mr Mulroney apparently sees successful conclusion of the talks as a key opportunity to boost his party's sagging

Reagan to

Tokyo sees collapse of the Fairchild deal as an expression of Washington's anger over trade relations

Japan voices concern at blow to Fujitsu

JAPAN HAS swiftly voiced its buyout at Fairchild and of an concern at the collapse of the alternative buyer for the comcontroversial plan under which pany which once led the world fujitsu, the Japanese electronics group, would have bought Fairchild Semiconducture of the IIC.

Mr Tamura yesterday in tor of the US.

tor of the US.

It sees the termination of the pact whereby Schlumberger was seeking to sell 80 per cent of its Fairchild subsidiary to the Japanese company as an expression of official US anger over its trade relations with Japan. Mr Hajime Tamura, Japan's

Fairchild echoed the Japanese reaction by blaming political pressure from Washington for Monday's announcement bringing the deal to an

Mr Tamura yesterday in Tokyo criticised the statements made last week by Mr Malcolm Baldrige, US Commerce Secretary, and Mr Caspar Wein-berger, Defence Secretary.

Miti officials said later that while they assumed that the final decision to call off the deal was not made by the US Government, they found the Baldrige and Weinberger comments disturbing, unreasonable, regretable and "difficult for us to understand."

Fujitsu said it agreed with Schlumberger to abandon the deal out of consideration for the mounting political opposition in the US to it.



Mr Malcolm Baldrige

ington for Monday's announce, the mounting political opposition of the deal to an end.

The collapse has also resurted talk of a management thorough US Justice Department was widely should be an unusually to obstruct the deal because of thorough US Justice Department was widely feared a "domino effect" in believed to have been using this which other Japanese companies would try to acquire US chip manufacturers.

on a memo to employees, are Donald Brooks, Fairchild president, said: "Political pressure from Washington made it impossible for Fujitsuto proceed" with the acquisition of Fairchild Semiconductor.

Cancellation of the merger came, however, as a shock to Fairchild. Only last Thursday, Mr Brooks had reassured Fairchild employees that the Justice Department investigation was proceeding as expected and that the company's lawyers were confident that the deal would go through

Industry critics of the proposed acquisition welcomed proposed acquisition welcoment news of the cancellation. "Fulitsu got the message that the US government is not going to allow legal rape and pillage of the US semiconductor industry," said Mr Wilfred Corrigan, president of LSI Logic a major Silicon Valley Logic, a major Silicon Valley chip producer, and former

For Fairchild, the cancella-

tion of the Fujitsu proposal means that the company must move quickly to find alterna-

Schlumberger, which has owned Fairchild since 1979 and ownen Fairchild since 1978 and poured an estimated \$1.5bn into the company without seeing any return on its investment, is believed to be anxious to unload its loss-making sub-

On Monday Mr Brooks said that he had proposed a manage-ment buyout. He is understood to have renewed efforts to raise financing for a buyout, which had been considered before the had been considered before the Fujiku proposal. Fairchild was the original. Silicon Valley chip manufacturer. The company had estimated sales of \$49m last year, making it the seventh largest chip maker in the US.

This compares with a fall of \$1 per cent in West German production to 515,294 gress tone. The Chinese figures include production in Taiwan, however, which is treated by Lleyd's as a province of mainland China.

China moves

shipbuilding *

up world

league

by Kevis Brown, Transport Correspond

Germany last year as the world's third largest ship-builder behind Japan and South Kores, according to figures issued yesterday.

Lloyd's Register, the inde-pendent London based ship classification society, said in

its annual summary of mer-

chant ship completions that Chinese production rose by

44 per cent to 641,451 gross tens. Only a small percentage

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Over-capacity

was for export.

The report shows that
Japanese production fell by
14 per cent to 8,177,953 grass
tonnes, reflecting evercapacity in Japanese yards
and lack of competitiveness
caused by the appreciation of
the yen.

South Korean output rose by 39 per cent to 3,642,495 gross tonnes, following aggres-sive marketing by South Korean yards, which have led a trend to lower prices.

Lively gaid Japanese ant-put represented 485 per cent of the world total, compared with 523 per cent in 1985. South Korea accounted for 21.6 per cent of world pro-duction, compared with 144. per cent in 1985.

UK production

The number of skips com-pleted worldwide fell by 230 to 1,624 totalling 16,844,969 gross tons, a fall of 8.4 per cent on the provious year.

Other leading shipbuilding nations were Brazil, which rations were brain, which produced 429,855 gross tens (down 151,382) Poland (375,385 gross tens, up 14,385) East Germany (381,669, up 2,667) and Dommark (381,482, down 96,104).

The UK produced 36 skips tetuling 98,895 gross tom, down from 171,940 gross toms in 1985. This compares with production of more than 1.5m

Nakasone urges more effort to end semiconductor row with US

MR YASUHIRO NAKASONE. Japan's Prime Minister, called on the country's Ministry of International Trade and Indus-

Government is threatening to conductor markets in Hong withdraw from the chip trade agreement signed last Septem- finding out whether or not US

THE EEC recorded its first-ever

partners also fell, but by only

10 per cent, from Ecu 379bn in 1985 to an estimated Ecu 340bn

ber.

Mr Nakasone met with Miti
Minister Mr Hajime Tamura and
Miti officials for nearly an hour
yesterday, during which he impressed on them the importance
of the issue in US-Japan trade
relations and the need to do
everything possible to resolve International Trade and Indistry (Mist) to make greater yesterday, during which he imeriforts to resolve the semiconductor trade dispute with the US.

The Prime Minister's intervention came with only two weeks remaining until the day, April 1, on which the US.

Later, Mist officials revealed the results of a study of semicons and the deed to do everything possible to resolve the dispute.

Later, Mist officials revealed the results of a study of semicons and the deed to do everything possible to resolve the dispute. Later, Min officials revealed the results of a study of semi-

EEC has first trade surplus

56on, whereas imports from Japan were apparently maffected by the rise in the value of the yen, increasing by 16 per

The member-states most affect

The figures, assembled by countries fell 30 per cent to Eurostat, the statistical office of the Community, show a 48 per cent fall in the price of fuel imports, and a 21 per cent decline in the Ecu-denominated into the Ecu-denominated in the Ecu-denomi

Fuel imports deckined only 2 ted by the general decline in per cent in volume terms, but world trade flows were the UK

India smelter order goes to

Davy McKee

By John Elliott in New Delhi

DAVY MCKEE of the US has been awarded a £16m, lead and

zinc smelter design contract by

India's government-owned Hind-

This is the first of a series of

contracts for construction of an

aluminium smelter which the

UK Government has agreed to finance with grants totalling

Britain has beaten potential

stan Zinc Limited.

charges of dumping by Japanese producers in third markets were producers in third markets were true.

Mr Yukio Honda, the Mid official who carried out the study, said it showed that Japanese makers were selling 256K dram chips at \$2 apiece or in South East Asia markets in conformity with the chip agreement, and significantly above the prevalling market price there of about \$1.50 to \$1.70.

Consequently, their new orders in December were about the average level lest summer.

So per cent below the average level lest summer.

So per cent below the average level lest summer.

So per cent below the average level lest summer.

So per cent below the average level lest summer.

So per cent below the average level lest summer.

The lower-priced chips were being supplied by US, Korean and "grey" market operators for in Japanese to firm. Production would be curtailed to a similar extent in the second quarter, he said.

"The 'grey' market operators included some US and other foreign companies as well as small Japanese trading companies as well as small Japanese trading companies that had bought chips at linear and logic chips for making consumer products. Exports of memory chips covered by the studies now and looked forward to meeting them soon

Dragon Airlines wins

route to Malaysia BY DAVID DODWELL IN HONG KONG

HONGKONG Dragon Airlines licences to operate services to yesterday won a licence from 34 routes around Asia, most of the territory's Air Traffic Licensing Authority (ATLA) to operate services to Johore Bharu in Malaysia.

The property of the progress of This modest sweetener came

after Atla first dismissed its objections to applications from Cathay Pacific Airways to add Toxonto to five other North American destinations, and then rejected its bid to replace

negotiations between Britain's governments in Asia where Dragonair has been granted licences, means that most of its services are still ad hoc

a value fell from Ecu 120bn (exports down 18 per cent), and 1985 to barely half — Ecu Spain (down 26 per cent), and Inports from developing Portugal (down 21 per cent).

Striam has beaten potential rejected its into to replace Cathay on routes to Kota Kina-Cathay on routes to

AMERICAN NEWS

Lionel Barber in Washington follows the trail of corruption from a New York suburb all the way to Capitol Hill

The rise and fall of an Hispanic hero in a Bronx slum

give live TV press conference

PRESIDENT Ronald Reagan will emerge from four months of semi-isolation tomorrow to give a televised live news conference which will be seen as a test of his recent attempts to restore his authority and political credibility. The 76-year-old President has enjoyed a minor renais-

sance since Mr Donald Regan, his abrasive Chief of Staff, resigned last month to be re-placed by the much milder Mr Howard Baker.

Tomorrow Mr Reagan can expect to face a barrage of questions about his knowledge and role in the Iran arms scandal. His performance in his last live news conunconvincing. The White House decision

to push Mr Reagan in front of the cameras reflects a victory for Mr Baker who has argued that it is vital to show the American public that the President is fully recovered from his prostate surgery in January and ready to take the initiative in his final two years in office. Some White House officials

had cautioned that Mr Reagan's faulty memory would be savaged by reporters and that this could create the opposite impression in front of television viewers.

The President's news con-

the President's news con-ference could take on a fresh edge if, as seems likely, the two congressional select com-mittees investigating the Iran scandal offer immunity today to Rear Admiral John Poindexter, Mr Reagan's former National Security Adviser

and a key witness Mr Reagan will be closely questioned about whether he knew or approved of the clandestine activities of Mr Poindexter and Lt Col Oliver North in diverting profits from US arms sales to the Nicaraguan Contra rebels.

Despite the attention on the news conference, there are news conference, there are other substantive issues facing the President such as the appointment of a new FBI director to replace Mr William Webster who is to take over running the Central

Intelligence Agency. Mr Reagan must also decide, along with Mr Baker, whether to hold a budget conference with

IN March 1984, Mr Ronald machine shop in a garage near Reagan, campaigning for a Yankee Stadium, eking out a second term in the White small profit and waiting. House, heralded a tool-and-die Micawber-like, for something maker of Puerto Rican descent better to turn up. President from the South Bronx, New Carter's desire to make Charlotk as "a hero for the 1980s." lotte Street the cornerstone of York, as "a hero for the 1980s." lotte Street the cornerstone of Three years later, the tooland-die maker, Mr John Mariotta, and his company, the Wedtech Corporation. a New Mr Reagan followed Mr Carter defence contractor with \$100m annual sales, are caught in a web of corruption which runs all the way from the Bronx to Washington DC.

This month, four former lotte Street the cornerstone of his Hispanic hackground caught in string into the Bronx during a 1980 campaign trip, the message of hope took on new conviction.

least two US Congressmen race indictments, one of President Reagan's former top political advisers is being investigated by a federal special prosecutor and the first stirrings of a presidential election campaign theme for 1988 are in the air. The Wedtech story begins in October 1977 when President Jimmy Carter came to Char-lotte Street in the South Bronz.

lotte Street in the South Bronx.
The area was America's bestknown slum. The shops were
either boarded up or vandalised, the evidence of arson
pervasive. The original Irish,
Italian, and Jewish settlers had
either moved out earlier or
were dying off: the blacks and
Puerto Ricans were trapped in
an impoverished local economy.

One person who stream was an impoverished local economy.

One person who stayed was John Mariotta. After three business failures he set up a 8Å of the Small Business Act.

in value fell from Ecu 120bn in 1985 to barely half — Ecu 61bn — in 1986.

web of corruption which runs lope took on new conviction. all the way from the Bronx to Washington DC.

This month, four former Wedtech executives pleaded guilty to conspiracy to bribe New York City, New York State and Federal officials and to offering illegal inducements to members of Congress and US Government officials. At least two US Congressmen face indictments, one of President Reagan's former top political advisers is being investigated a group meeting with the by a federal special prosecutor and the first stirrings of a

tronic Die Corporation and the company was involved in old-ding to supply horsepower generator engines to the US army. The contract, worth up to \$30m, was bigger than any-thing else Welbitt had won. It represented a short cut to rich pickings in the defence business which was dominated by the big American contractors but about to enjoy explosive

At this time Wedtech went by the name of Welbilt Elec-

For a small company like Wedtech, section SA offered a chance for a hearing in Wash-ington, and the prospect of a steady flow of government business. But its first bid to the US army was rejected as far too high.
Faced with a towering bureaucracy at the Pentagon, the company turned to its net-work of political contacts which work of political contacts which included two Californians, one of whom was Mr Robert Wallach, a lawyer and good friend of Mr Edwin Meese, then one of the President's closest advisers at the White House with the title of "consellor."

Mr Wallach has conceded

This clause is unique in its that he took on legal work breadth since it allows the for Welbilt, but denies any small Business Administration in take on government contracts and then to sub-contract them judicary committee this month, to ethnic minority companies on a no-bid basis.

For a small company like occasions. A more direct contact for Welbilt was Mr Lyn Notziger, one of Mr Reagan's political advisers at the White House.

Mr Nofziger left the Adminis-tration in January 1982—one year after Mr Reagan moved into the Oval Office—set up his own public relations partner-ship and took on Welbilt as Shortly after a key White House meeting in May 1982, presided over by Mr James Jenkins, one of Mr Meese's deputies, Mr Notziger, wrote to his former colleague asking for a letter of intent from the US army on the engine contract. He got the order. Wallach has conceded

Mr Nofziger is now the subject of an investigation by a special prosecutor. Federal law prohibits former government officials from lobbying their agencies for one year after leaving office. Mr Nofriger—who through his lawyer has welcomed the appointment of a special prosecutor—is now the second senior advisor to the President to be undergoing this President to be undergoing this

fortunes created a problem: the US attorney in New York going public meant that Mr This month, Mr Guillani, Mariotta—the co-founder of the aided by the Manhattan district business with the ethnic ninority background—no longer had a controlling interest in the company, now rechristened Wedtech. That in turn meant that Wedtech no longer quali-fied for non-competitive contracts under the section 8A

A complex share deal was arranged whereby one third of the company's shares were re-shuffled back to Mr Mariotta, who agreed to pay for the shares at a later date. The SRA snares at a later care. The ShiA questioned whether Mr Mariotta could still qualify as an "economically deprived" businessman, but approved the deal nonetheless. Wedtech continued to draw the primary source of its income from the section 8A programme and to be a prime beneficiary.

Throughout its period of growth between 1975 and 1985, SA programme. Wedtech assiduously cultivated key figures in the local political establishment.

President to be undergoing this form of investigation. The other is Mr Michael Deaver—who set up a high-powered lobbying company in Washington

The army contract transformed Welbill's fortunes. In August 1983 the company went public. Stock which had been given earlier to Mr Wallach (for his legal work), and Mr Notziger (for his lobbying efforts) rose dramatically in value to \$400,000 and \$700,000 respectively.

But the dramatic switch in

attorney and the Bronx district attorney, achieved a major. breakthrough in the Wedtech investigation, persuading four former executives to plead guilty to bribery and fraud offences. In return the four have agreed to give evidence eggings other to give represent against other, so far unnamed, politicians

A taste of what is about to come appeared during the brief court hearing last month. One of the defendants, admitting that he bribed officials with goods and money, added that be and his colleagues had to offer the bribes in order to con-tinue to win contracts. "Basically, Wedtech depended on government contracts for its existence," he said. Last week Mr Stanley Friedman, once the powerful leader of the Bronx Democratic Party, was sentenced to 12 years in prison when it won more than \$500m on a racketeering conviction, of contracts under the section and two other leading Democrats resigned office.

Mr Mariotta has yet to be charged with any offences and he has declined to be inter-

The smooth exit of govern-ment officials into the private sector may well be reviewed by Congress as the Wedtech scandal unfolds. So too will the SBA's 8a programme which gives ethnic minority business around \$3bn of government contracts a year.

Wedtech itself has filed for reorganisation under chapter 11 bankruptcy laws; 1,500 people

US current account deficit at record \$140bn Contras blast pylon in Managua

THE US current account deficit in 1986 amounted to a record tensions between the two is 1940.57hm compared to a 1985 high on a range of issues from heree Department reported yesterday.

The size of the current account deficit—the broadest measure of the nation's trade toll on the Japan economy in account deficit—the housest measure of the nation's trade balance because it covers goods and services—will intensify pressure in Congress to take figures could increase pressure on the Japanese Government tries with big trade surpluses with the US guch as Japan.

The Commerce Department

The Commerce Department

The Commerce Department

The Commerce Department

The US current account deficit to a 1985 high on a range of issues from trade bill on Capitol Hill could become "irrelevant" if such become "irrelevant

ANTI-SANDINISTA rebels blew up an electricity pylon in the crush such an organisation.

That the explosion only dampopularity in recent years, the explosion failed to bring the structure down.

The Nicaraguan Interior team had limited sabotage Ministry called the incident "no Darkson of the government officials acknowledge.

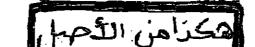
State Security police, armed with sweeping powers under a 1985 sixts of amergancy degree.

Ministry called the incident "no more than a desperate attempt by the North American Administration and its mercenaries in the face of their political and military defeat."

The attack marks the first action by the Contras in Managua since they bombed the airport in 1983, and indicates that they have managed to establish some sort of fifth column, des-

with sweeping powers under a 1985 state of emergency decree,





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Bonds subject to the above-mention Japan Air Lines Company, Ltd. U.S. \$54,600,000 11 per cent. Guaranteed Bends dun 1997 Japan Air Lines Company, Ltd.
U.S. \$42,159,000 19% per cent.
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U.S. \$189,000,000 12% per cent.
Guaranteed Bends due 1934
Japan Air Lines Company, Ltd.
U.S. \$199,000,000 10 per cent.
Gearanteed Bends due 1995 Japan Air Lines Company, I.Ad. U.S. \$190,000,000 8 per cent. Guaranteed Bonds due 1996 Japan Air Lines Company, Ltd. U.S. \$160,000,000 8½ per cent. Guaranteed Bonds due 1996

Japan Air Lines Company, Ltd.
FFE 700,000,000 7% per cent.
Guaranteed Bonds due 1896
INFAM AIR LINES COMPANY, LTD.
By: The Bank of Thiyo
Trust Company
on Fined Agent
tol: March 10,1002 Dated: March 18, 1987

APPOINTMENTS

Grampian TV chief executive

Mr Norman Holden has been appointed European regional director for THOMAS COOK FINANCIAL SERVICES. He was previously with the Standard Chartered Bank holding postaboth in this country and abroad.

Mr Terry Murray has become managing director of MITCHELL. SHACKLETON & CO, a subsidiary of National Forge Co, of Irvine, Pennsylfivania, US. He was a director and general manager of NEI-APE Crossley Engines, Manchester.

Mr R. A. Lawson will be joining VINTEN GROUP as group managing director. He is currently with R. S. Components, a subsidiary of Electrocomponents, where he has been sales director since 1979. Mr Lawson will succeed Mr Michael James



Mr Walter Telfer, deputy group chief executive, Low &

post of deputy group chief executive, while remaining group finance director. He was

GRAMPIAN TELEVISION has designated Mr Donald H. Waters are company's new chief executive. The appointment becomes effective on the recital in November of Mr Alex Mair, who has been with Grampian since its opening in 1961, first as company secretary, and for the past 17 years as chief executive. Mr Waters is Grampian's finance director. He joined in 1975 as company secretary. He became a board member in 1979 and is a director of Morse Firth Radio and Grampian subsidiaries Blenheim Travel and Glenburnie Properties.

Who has recutiv stepped down appointed to the parent board as group finance director in February 1982, having joined the group in September 1975. Mr Telfer is also a director of Low & Bonar UK, Bonar Inc (the company's Toronto Stock Excomproller. Mr Nigel Ask has previous post with Mr David Lindsay becoming group sidiary), A. T. Mays Group and a number of other companies. Following this move, Mr Norman D. MeLeod is promoted to deputy group finance director, and also joins the board of Low & Bonar UK. He joined the group in September 1977 and, prior to becoming group financial controller in January 1985, he was finance director of Bonar Long.

Mr W. R. Parsons has been for W. R. Parsons has been appointed managing director of MERCHANT INVESTORS ASSURANCE. He has been general manager since March 1964. The previous incumbent, Mr J. M. Souness, remains a director and also becomes chairman.

ROYAL TRUST BANK has appointed Mr Michael P. Townsley as divisional director with responsibility for property finance. He joined from the State Bank of South Australia.

CITIBANK LONDON'S financial institutions group has appointed Mr Stafford Crane as senior banker for insurance banking in Europe. Mr Peter Hayes will assume responsibility for the insurance banking division in London.

Mr David Hudd has been appointed chairman and chief executive of INOCO. He is non-executive chairman of the Kunick Leisure Group and was until recently chief executive of the

Mr Roger M. Phillips is to be managing director of LEYLAND DAF MARKETING & SALES ORGANISATION from April. Mr Ian Jones has become truck

Mr R. C. (Dick) Pemberton and Mr John R. Smith have been appointed directors of TAYLOR WOODROW ENERGY. Mr Peter Jordan becomes a divisional director. Mr Pemberton is deputy



هكذامنالأجل

Mr Donald Waters, who is to become chief executive of Grampian TV in November

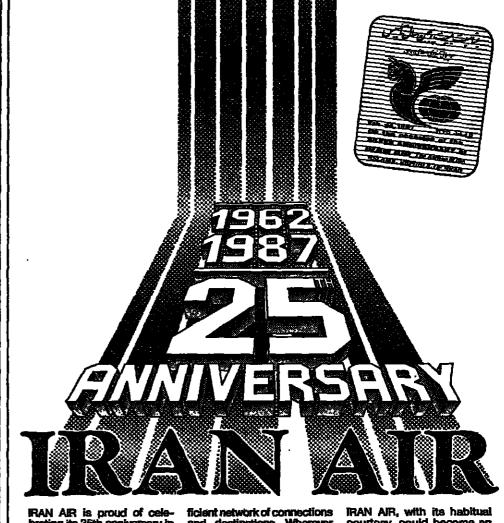
managing director of Taylor Woodrow Offshore. Mr Smith is a divisional director of Taylor a divisional director of Taylor Woodrow Energy, Mr Jordan was appointed a director of Seaforth Martime in 1983 and managing director of Floatech, which is jointly owned by Taylor Woodrow Construction and Seaforth Maritime, on its inception in 1985

THE MINSTER INSURANCE GROUP has appointed Mr David Pocock as UK general manager



Mr David Pocock, chief motor manager, Minster Insurance

and chief motor manager. He joined in 1984 as group motor manager and became group manager and became group assistant general manager in



brating its 25th anniversary in the skies of the world. An anniversary which shows how much ness of its own function support IRAN AIR's wings, IRAN AIR has developed over the years while working for you the kind of specialization

and destinations. Wherever you are going in the Middle East IRAN AIR sees that you get there in the shortest possi-ble time, because time is precious. And if you are going to the Far East, IRAN AIR will take you to Bornbay, Beijing and To-kyo. IRAN AIR maintains its tra-dition for refined hospitality.

courtesy, could become an Indispensable part of your



FROM PROPERTY STATES STREET, S LONGON GENERAL PRINT DAMAGE CONTROL TOWNS TOWNS TOWNS TOWNS TOWNS

N.V. Philips' Gloeilampenfabrieken (Philips' Industries) and

N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Gloeilampenfabrieken (Philips' Lamps Holding) Eindhoven

Notice convening the ORDINARY GENERAL MEETING OF SHAREHOLDERS

to be held on Wednesday, April 8, 1987, at 2.00 p.m., in the "Philips' Jubileumhal" in Eindhoven, entrance Mathildelaan/Frederiklaan. Shareholders of N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Glocilampenfabrieken are also entitled to attend the Ordinary General Meeting of Shareholders of N.V. Philips' Glocilampenfabrieken to be held at the same time and at the same place.

The Annual Report 1986 and the Financial Statements 1986 of both companies as well as the complete agendas for both meetings have been deposited for inspection and are available free of charge at the office of the Company (Groenewoodseweg 1) and at the head offices of the banks listed below and have been sent to the holders of registered shares. The items on the agendas are as follows:

N.V. PHILIPS' **GLOEILAMPENFABRIEKEN**

- 1. Opening
- 2. Report of the Board of Management for the financial year 1986.
- 3. Report of the Supervisory Board on the financial statements for 1986.
- 4. Adoption of the 1986 financial statements and declaration of a dividend.
- 5. Designation of the Board of Management as the body authorised to issue shares or rights to shares and to limit or to suspend preferential rights.
- 6. Granting of authorisation to the Board of Management to purchase shares in the Company.
- 7. Composition of the Board of Management.
- 8. Composition of the Supervisory Board.
- 9. Any other business.

N.V. GEMEENSCHAPPELIJK BEZIT VAN AANDEELEN PHILIPS' GLOEILAMPENFABRIEKEN

- 1. Opening.
- 2. Report of the Board of Governors for the financial year 1986.
- 3. Adoption of the 1986 financial statements and declaration of a dividend.
- 4. Designation of the Board of Governors as the body authorised to issue shares or rights to shares and to limit or suspend preferential rights.
- 5. Granting of authorisation to the Board of Governors to purchase shares in the
- 6. Composition of the Board of Governors.
- 7. Any other business.
- 8. Conclusion.

10. Conclusion. In so far as this is laid down in the Articles of Association, the proposals for nominations, together with in so far as one is take down in the Arthous of Association, the proposals for nominations, together with information relating to the persons proposed, have been deposited for inspection and are available free of charge at the office of the Company (Corporate Finance Securities) and at the Amsterdam-Rotterdam Bank N. V., Herengracht 595, in Amsterdam.

Shareholders of N.V. Philips' Gloeilampenfabrieken who wish to attend the meeting, either in person or by proxy, must notify the Company not later than April 1, 1987, in the way indicated in the letter of convocation sent to them by the Company.

Shareholders of N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Gloeilampenfabrieken who wish to attend the meetings, either in person or by proxy, must notify the Company not later than April 1, 1987. The following regulations apply.

A. Holders of share-certificates to bearer should deposit such certificates not later than April 1, 1987, at one of the following banks in exchange for a receipt which will entitle the holder to admission to the meeting.

in the Netherlands the Amsterdam-Rotterdam Bank N.V. in Amsterdam, Herengracht 595; the Algemene Bank Nederland N.V., in Amsterdam, Vijzelstraat 32; or at the office of the Company in Eindhoven, Groenewoudseweg 1.

in the United Kingdom Hill Samuel & Co. Ltd., London.

in other countries at the banks designated for such purpose

Further particulars can be obtained from Hill Samuel & Co. Limited, London.

B. Holders of registered shares must notify the Company not later than April 1, 1987, in the way indicated in the letter of convocation sent to them by the Company:

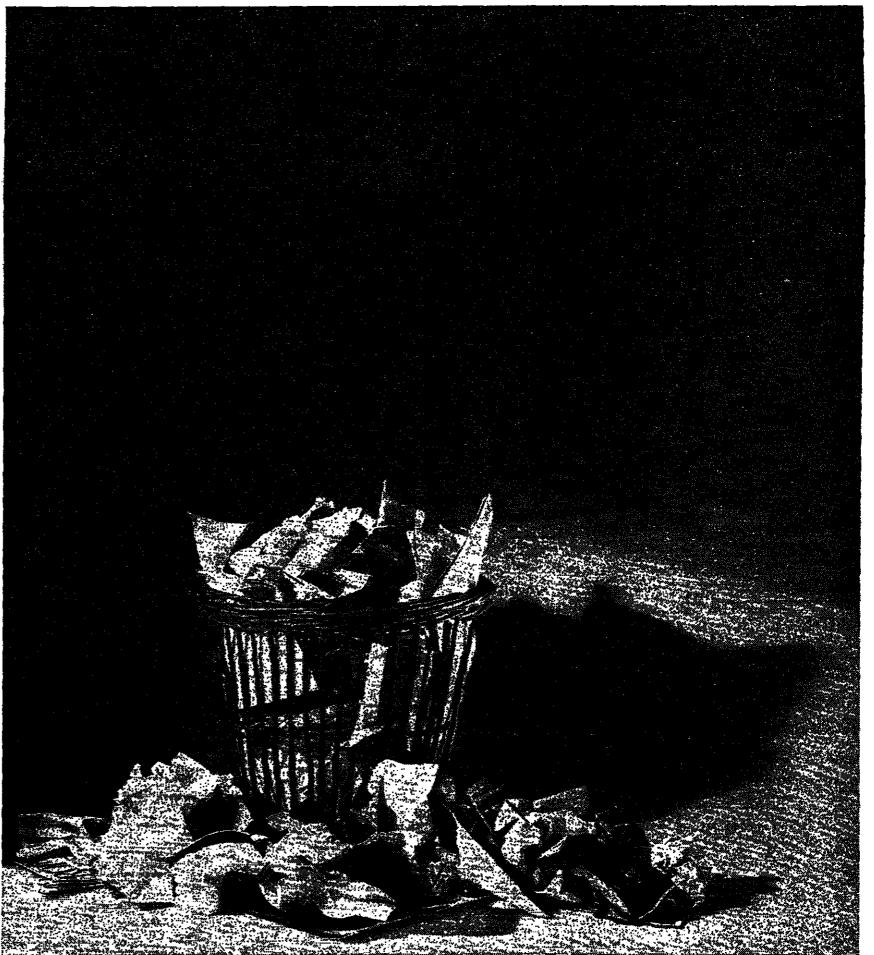
- with respect to shares of the Eindhoven Registry: at the office of the Company; - with respect to shares of the New York . Registry: at the office of Bankers Trust Company, Corporate Trust & Agency Group, P.O. Box 318, Church Street Station, New York, N.Y. 10015.

Requests for copies of the Philips Annual Report 1986 and the Financial Statements 1986 should be sent to N.V. Philips' Gloeilampenfabricken (Corporate Finance Investor Relations, P.O. Box 218, 5600 MD Einchoven).

Eindhoven, March 18, 1987

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Rivalry for air services from Gatwick grows

BCal is anxious to win all the pro

posed routes, but its big target is

would be marketed to tour opera-tors, at fares BCal said would be

Air Europe says its plans are in line with the Government's airline

competition policy, which encourages new entrants to start new ser-

BCal is opposing the applications

by Air Europe, and Air Europe is opposing the BCal applications. Other airlines, including British Airways, British Island Airways,

Connectair and Dan Air are also op-

posing routes proposed by both air-

BCal said its opposition was part-

Air Europe and BCal both want to offer low fares on their proposed

gestion at Gatwick.

competitive with charter rates.

COMPETITION for scheduled air services in Europe intensified this at Gabwick, wants to start five new eek with hearings at the Civil Avlow-fare routes to Athens. Copenha gen, Oslo, Rome and Stockholm.
They would be operated on the basis of seats allocated partly for
charter and partly for scheduled iation Authority into applications by British Caledonian Airways and Air Europe. Both want to increase services from Gatwick, south of

The fight for routes comes as the European Commission in Brussels is set to consider, possibly today, taking legal action against Lufthansa and other European airlines for possible breaches of its competition

rules.
Air Europe, which began as a charter airline, wants to start 11 new scheduled services: to Amsterdam, Brussels, Copenhagen, Düsseldorf, Frankfurt, Munich, Geneva, Zurich, Milan, Rome and

Mr Harry Goodman, chairman of Air Europe and International Lei-sure Group, its parent company, said in giving Air Europe's evi-dence; "In European aviation, there is the little process to little company. is too little access, to little competition and too high fares."

ment last week, subject to financing, for five Boeing 757-200 and five Boeing 737-400, valued at a total of

Barclays to set up fund for buy-outs

ecurities arm of Barclays Bank, plans to establish a £20m-£30m fund to finance management buy-outs. The fund will take the form of a unit trust and will be wound up after 11 years at the most.

The Barclays de Zoete Wedd Buy-Out Trust, which is based in Jersey, is the latest in a series of funds speto buy their company from the parent group. Over the past few years several large buy-out funds have been launched, including the £260m Electra Candover Direct Investment Plan and the £100m Charter house Development Capital Fund. The new Barclays trust intends to invest amounts of between £500,000 and £4.5m in buy-outs, with a total value of between £5m and £50m. Investment adviser to the fund will be Barclays Development Capital, which intends to invest on its own

The new trust will mean Barclays Development Capital will be able to share the risk of buy-outs it backs with other investors and that it can respond quickly to proposals put to

account in buy-outs financed by the

Bond Corporation plans £30m Super Channel seen satellite broadcasting stake

THE BOND Corporation of Austral- tional three channel DBS franchise the project is likely to be 2000m. ia has reached agreement in princi- is likely to be the only Australian rect broadcasting by satellite (DBS)

Mr Alan Bond, the Australian businessman whose interests range from brewing to broadcasting will single investors in the venture. The five founder shareholders in British Satellite Broadcasting

(BSB) have already committed EBOm and are now in the process of raising a further £120m by the end of April so that contracts for satel-

of the Granada group, which put together the BSB consortium said now going on with a core of six to

will be more than enough to meet the £120m," Mr Lewis said. About half are from the UK and major companies from the US and Europe

Mr Lewis said that more than one" of the original investors - Granancial Times), Virgin, Amstrad Consumer Electronics and Anglia creasing its stake. The total cost of vice in 1989.

Mr Lewis believes that at leas letters of intent to cover the £120m will be signed by the end of next month. The rivals for the satellite contract, which will be in excess of

filium, have been narrowed down BSB's conditions. Negotiations are now concentrating on price. The three companies with "live" offers include British Aerospace and Comsat, the US satellite organi-sation which has two substantially complete" satellites for sale after the collapse of plans for a DBS ser-

vice in the US. for modifications might be best able to meet BSB's desire to launch both

Murdoch media group 'leads world'

MR RUPERT MURDOCH'S News £181m in the year to June 1988 will

Corporation's pre-tax profits of of scale" Kleinwort believes.

Grisveson Securities argues in a aid and Weekly Times group end simultaneous disposal of electronic turning them around and doing ing dominance of the Australian good deals "Mr Luke Johnson, mendia analyst at Kleinwort, says.

Kleinwort estimates that News from rationalisation and economies

Times, Sunday Times, Sun and News of the World, had benefitted more than any other participant from the Fleet Street revolution. Earnings per share from the UK op-erations were up 22 per cent in the year to December 1986 and the prospect of Sun and News of the World cover price increases would

in half Europe's cable TV homes

BY RAYMOND SNODDY

British satellite television channel, is being watched in more than half the 7.4m cable television homes in Europe in which it is available.

The viewing figures - produced by Research Services after a tele-phone survey - have been achieved despite substantial changes to lanned schedules because individual members of Equity, the actor's union, failed to agree to release of

Super Channel is funded by all Britain's TV companies, apart from Thames Television, and the Virgin Group. The BBC has also agreed to supply programmes for the chan-nel, although it is not an equity in-

Problems with Equity union embers withholding consent for transmission have mainly affected

BBC programmes.

Mr Richard Hooper, joint managing director of Super Channel, said yesterday that more consents from Equity union members were begin-ning to come in. In April, the schedules would be 85 per cent to 90 per cent complete and by May there would be very little difference be-tween the planned schedules and

SUPER CHANNEL, the 24-hour doch's general entertainment chan-

In the Netherlands, Super Chan-nel's higgest market with 2.7m homes, 63 per cent of cabled homes had watched the channel, in Scandinavia the figure was 55 per cent, in Belgium 51 per cent and in West tional opposition to foreign television. Super Channel has achieved a weekly viewing figure of 38 per

launched in January, has also been rising sharply. In the Netherlands two weeks before launch to 88 per cent two weeks after and in Scan-dinavia awareness has grown from 52 per cent to 92 per cent.

"We are very happy with the progress made so far," Mr Hooper said yesterday.

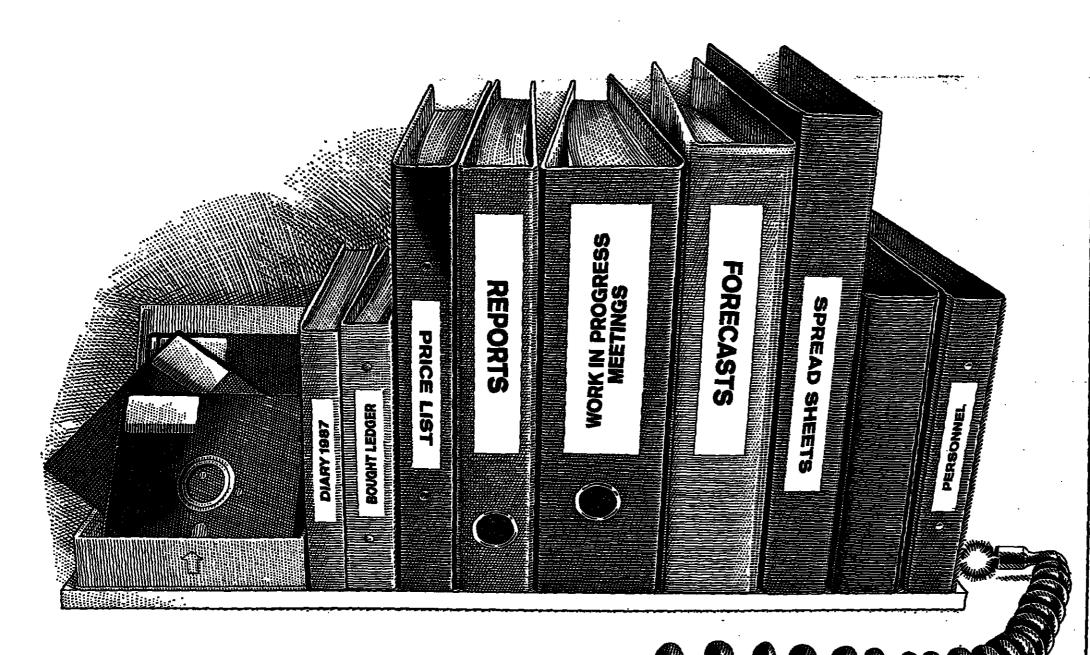
 The operations of Premiere and Home Video Channel, both film channels for cable television, are to be merged and British Telecom will join the new partnership. Heads of agreement have been signed and the full agreement is expected to be

In the new partnership, Micror Group Newspapers and BT Vision The BBC alone has sent out 7,500 will each have 30 per cent of the eqletters to actors asking for permission for programmes to be broadest by Super Channel.

The other existing Premiere shareholders - 20th Century Fox, Columbia Pictures, Home Rox Ofcast by Super Channel.

The channel's weekly viewing figure and Showling — fine Movie use of 52 per cent compares with 59 Channel — will each hold 10 per per cent for Sky, Mr Rupert Mux-

Data General advancing in the channels weekly viewing the fire and Storytime and Story in office automation.



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prehensive Electronic Office, the front-runner in getting more out of the daily workload.

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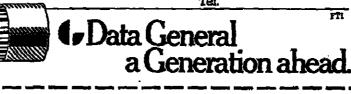
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Peat Marwick to merge

PEAT MARWICK International, and also it brings skills that we the accountancy and management need more of and that are perceived

The toerger comes two weeks be-fore Pest Marwick completes its merger with Klynveld Main Goer-deler, which will make it the largest accountancy group in the world. Nolan Norton will increase its UK tune 100 companies.

revenue from consultancy work by the Information Services division of the Information Services division of

Nolan Norton, based in Boston, was formed in 1974. It specialises in strategic uses of information technology. The group has 18 consult. UK hast year Pest manwas nology. The group has 18 consult. UK hast year Pest manwas nology. The group has 18 consult was management consultancy fee income of £22.5m in the UK.

consultancy group, is merging with by our clients to be important, said Nolan Norton, the fast growing US Mr Guido Castro, lead partner for information technology consult- Peat Marwick's information sys Nolan Norton also brings un im(j Ā

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No. of the state o

rience in training information tech-nology consultants. In the US its clients include 40 per cent of For-

Peat Marwick. After merging, the division will employ 1400 professioners world wide with 200 in the

In the year to February it had a For Nolan Norton, the merger gross professional fee income of gives the opportunity to sell its clasm. It is a significant addition skills using Peat Marwick's net in term of the ways an offer captions.

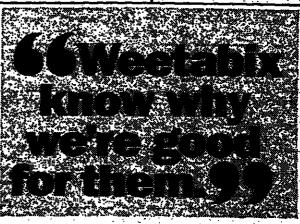
Jobs shed by **Cambridge** Electronic

By Philip Coggan

CAMBRIDGE Electronic Industries (CEI), the group floated off from Philips in 1981, has shed 300 jobs in a rationalisation programme. The news was amounced with the group's preliminary results which revealed full year pre-tax profits down from £10.3m to £10.1m. CEI, which is involved particular-ly in printed circuit boards and in electronic components, blamed the job losses on difficult market condi-

Most employees laid off were middle managers in supervisory roles, it said, but some younger managers – around 35 so far – will be brought in to prepare the group for any upturn in the market. CEI employs around 4,300 people





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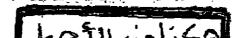
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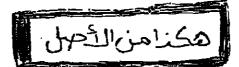
disk, IBM monitor, IBM enhanced keyboard and IBM display/printer adaptor. Colour upgrade with IBM monitor and adaptor 2250, EGA apgrade 1495. Morse are also dealers for Compaq and Toshiba - we carry a complete range of portable II model 3, \$24



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January dip in output blamed on cold weather

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S manufacturing output dipped sharply in January, but government statisticians blamed the fall on the cold weather and said that the underlying trend was still

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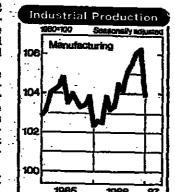
upwarda.
The Central Statistical Office (CSO) said that its index of mannfacturing production fell by 2.2 per cent in January. For the latest three months taken together output was % per cent higher than in the previous three months and 2 per cent above the same period a year earli-

The CSO's statisticians, however, said that they expected the January figure to turn out to be an aberation and for manufacturing production to have resumed its rise in February. They estimate that the underlying growth rate remains around the annual 3 per cent seen since the spring of 1986.

Mr Nigel Lawson, the Chancellor which may in part be attributable to of the Exchequer, echoed that view in yesterday's budget when he predicted that buoyant exports would fractionally in January and the control of th give a sizeable boost to manufactur-

ing output this year. Around two-thirds of the drop in production during January was action. In the three months to Januacounted for by a downturn in three industries - metal manufacturing; other minerals products, typically those used for construction; and

would have been affected by the dif- while that for the production indus



work caused by the freezing weather and snow, while many building materials plants had open air operations. The chemicals industry suffered a sharp decline in exports, which may in part be attributable to transport difficulties

Sea oil output recovered from the depressed level of December and the cold weather boosted consu ry, however, industrial output was around 's per cent lower than in the previous three months.

The index of manufacturing production stood at 103.9 (1980190) in January against 108.3 in December ficulties for workers in getting to tries was at 109.8 compared to 109.4

Guinness

meeting

shareholder

A GROUP of Guinness sharehol-

ders has called a meeting for March

24. The group says that although much has been done by the drinks

company's new management, there remain matters to be clarified and

The meeting will take place at the Great Eastern Hotel, in the City of London. It has been called by Mr

Irving Scott and six other sharehol

ders after the formation of the

Guinness Shareholders' Associa tion in London on March 12.

Mr Scott had previously sought

eral meeting. The group said the formation of an association would

help prevent events similar to the controversial share support opera

tion mounted in last year's bid for Distillers, the scotch whisky group

recurring in future.

The group said that Guinness was aware of the meeting, but had not indicated whether it would be

represented by an official observer. ■ ALLEGATIONS over share buying in to helicopter company West-land, before last year's deal with

the US Sikorsky group are not to be investigated. The Government re-

rected a call for an inquiry by Mr Tam Dalyell, the Labour MP. It has been claimed that groups backing the deal had co-operated to buy shares beforehand, and Mr Dalyell

asked trade and industry ministe

in a House of Commons written

question to appoint inspectors "to

examine allegations of a concert party in 1985-86.

Mr Michael Howard, Trade Min

ister, replied that the Government

last year decided not to appoint in-

spectors to investigate membership of Westland. "No new information has become available since that

time which would necessitate a re-

CONNAUGHT Booms, one of

London's best-known banqueting and conference complexes, is being

sold for £2.8m to Friendly Hotels by

 FIAT has raised its car prices in the UK by an average of 3.7 per cent. But there will be no change in

the price of the Fist 126, Britain's east-expensive new car at £2,431.

The Polish-built Fiat 126 last

went up in price in March last year.
Other Fiat car prices were last increased six months ago by an aver-

■ UNOFFICIAL stoppages in the coal industry - known as "rag outs" - are running at two thirds the rate

of before the 1984 miners strike,

and 80 per cent occur in the Yorkshire coalfield, Sir Robert Haslam, British Coal chairman, said.

As a result of these actions 1m

tonnes of output had been lost.

Since Christmas alone, there had

TRUSTHOUSE Forte, the hotels

Sales of English wine have expanded in the last 10 years and lo-

cal products are now stocked by

several major supermarkets and have been exported as far as Japan.

Wines from six English vineyards were chosen by Trusthouse Forte at

age of 4.5 per cent.

view of that decision," he said.

Shortage of staff in electronics group calls 'growing'

THE SHORTAGE of skilled staff in the UK electronics industry is growing worse, according to a survey which also suggests that employ-ment in the sector is expanding.

The survey, commissioned by Cawners Exhibitions, the orga-nisers of the electronics exhibitions internepcon, and Electronic Prodirection magazine; says that only 10 per cent of the 454 companies which took part feel that the recruitment situation in the industry is improv-ing. More than a third believe it has become more difficult. Particular difficulties exist in rec-

ruiting design and production engineers, and it is hard to find test engineers and skilled operators. Only semi-skilled staff are easy to

recruit, it says.

To cope with the skills shortage, almost half of the companies surveyed have increased their in-house training. In part, they appear to be gearing up for expansion: about 45 per cent of the companies sampled said that they should be able to offer more jobs over the next year, largely because of an expected upturn in sales and orders.

Logica, a British computer com-pany, has been put in charge of a 2500,000 contract from the European Space Agency (ESA) to work out software techniques related to a proposed manned space station. The contract, to be shared by Lo-

gica and a group of other European companies, concerns programs re-quired for the operation of Columbus, a £1.3bn orbiting laboratory which ESA plans for the mid 1990s.

Logice's space and defence sys-tems division will be responsible for about £300,000 worth of work under the contract, with Messerschmitt-Bolkow-Blohm of West Germany, CRI of Denmark and Sweden's Sa-ab sharing in the studies.

Logica says that, with the new contract, it is responsible for about Clm worth of work related to the Columbus development. The studies concern the software needed to run computerised equipment proposed for the laboratory, together with data processing techniques needed for radio transmissions to

Gene may give pesticide

By David Flahlock

A BUILT-IN pesticide to protect major food crops such as cereals against predators is within grasp, claims Agricultural Genetics Company, the Cambridge research company specialising in genetic engineering of plants.

The company, set up with governbeen six stoppages in protest against colliery visits by members of Parliament. ment and private backing to exploit British innovation in plant science, has shown how one particular gene can confer a broad spectrum of reand catering group, is to introduce a range of English wines at its 230 sistance to major insect pests.

The gene is responsible for manufacture of an enzyme inhibitor which interferes with the digestive processes of insect larvae. It was originally isolated by scientists at Durham University, in north-east

England.

AGC is now seeking industrial partners with the genetic engineering skills to attempt transfer the ing skills to attempt as maize, cotton gene to such crops as maize, cotton a tasting of more than 20 different

GOVERNMENT BORROWING ONLY £100M OVER 11 MONTHS

Finances yet again in surplus

were yet again in surplus in Febru-ary, leaving borrowing at almost nil after 11 months of the current fi-

nancial year.
Yesterday's figures were released only before Mr Nigel Lawson, the Chancellor of the Exchequer, stood up to deliver his budget.

Mr Lawson's new target for bor-rowing in 1987-88 compares with the £7hn projection pencilled into the last version of the Medium Term Financial Strategy. Yesterday's figures showed that there was a £340m net repayment

British Airways shares.

Treasury officials said that the ment).

Chancellor had taken full account Thes

They noted that March is tradiwas £2.7bn and the full year Public tionally a month of high spending. Sector Borrowing Requirement The borrowing requirement in (PSBR) turned out at £5.5km. Included in February's data was short \$420. about 5420m from the first call on normal receipts of Petroleum Reve-

British Airways shares.

The Chancellor yesterday forecast that this year's PSBR would boosted by a £680m support packturn out at around £4m, substanage for the Rover Car group as foretially undershooting his £75m tar-shadowed in January's Public deposition.

THE GOVERNMENTS finances the first 11 months of the current outturn and in his overall budget ish Gas debt of £754m, which comes in March.

The effect of a change in the tim ing of payments by building socie-ties of composite rate tax is not ex-pected to effect the PSBR in March. These payments are now spread throughout the year, rather than being bunched in to the last quarter of the year, a change which to some extent depressed tax receipts in

January and February The treasury said Inland Reve nue receipts in the first 11 months of the current year were £1.8bn, or 3% per cent higher than a year ealiof government borrowing last chancellor had taken full account. These factors will, however, he er, while Customs and Excise remouth, giving a cumulative borrowing requirement of only £100m over ary in his forecast for the full-year ceipt of the first instalment of Britishing.

Treasury lifts Civil Service wage offers

THE TREASURY yesterday made Society of Civil and Public Servants linked to greater pay flexibility. improved pay offers to most civil (SCPS), the union representing it is clear, however, that the imservants in the hope of averting the middle-management grades and proved offers – likely to be dethreat of selective strikes from the start of next month.

The main feature of the offers is relatively high flat-rate increase for younger lower-paid staff, con-centrated in the Department of Health and Social Security and the Employment Department, who would provide the backbone of any There is also a higher rise for the

key senior computer staff who would hold the most disruptive announces them formally - repre-Fragmentation of the Civil Ser- cent in the pay bill. vice pay negotiations this year makes it difficult to make a general

assessment of the worth of the of-fers. One union, the Institution of cent, or £4.50 a week, whichever is Professional Civil Servants, has althe greater. This is believed to have ready reached provisional agree been improved to at least £5.75 a is certain to put the four-union conment on a radical long-term deal week - a rise in excess of 5 per cent sortium under strain.

The higher offer to the SCPS is

scribed as final when the Treasury thought to be worth an extra 2 per cent, representing restoration of the union's differentials after they sent an increase of at least 5 per were eroded last year by to the technology deal awarded the lowerrepresenting more than 300,000 civ-

Teachers reject call for half-day strike over imposed deal

BY HELEN HAGUE, LABOUR STAFF

MEMBERS OF the third-largest "not take it out on the children" teachers' union in England and Wales have rejected their leaders' call for a half-day strike in protest at government moves to impose a pay and conditions settlement and abolish direct pay bargaining.

tresses Association announced yesterday that its members in state schools had rejected strike action by 58.3 per cent to 42.1 per cent.

had recommended national strike action for the first time in its history. During the previous two years of the pay dispute, the union had tak-en only limited disruptive sanc-tions.

The two main teaching unions, the National Union of Teachers and the National Association of Schoolmasters/Union of Women Teacher have already embarked on a series of half-day protest strikes and are expected to announce further selective action today.

Welcoming the AMMA vote as a sensible decision", Mr Kenneth Baker, the Education Secretary, seized on the opportunity to urge leaders of the two largest teaching unions to "rethink their tactics" and

The AMMA ballot attracted a 72.6 turnout, with 35,617 members vot ing against strike action and 26,632 for. Announcing the result, Mr Frank Groarke, the union's president, said it did not mean that members accepted the Govern-ment's removal of their negotiating

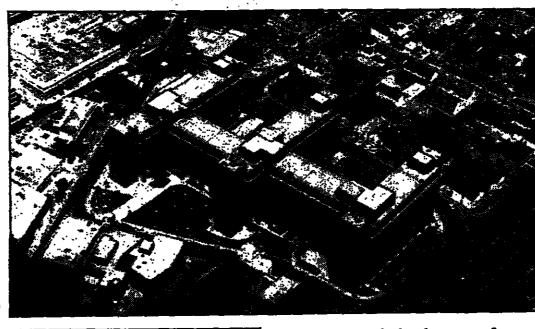
"It shows that a majority reject industrial action as the most effective way to register protest. Child-ren are put in the crossire, public opinion and parental support are alienated, politicians capitalise from the resulting chaos."

However, he warned that even teachers opposed to industrial ac-tion could be tempted to operate a strict work-to-rule unless Mr Baker publishes plans for new negotiating machinery as soon as possible.

"Teachers who react in that way to the Government's stance will be working to the very rule Mr Baker has bimself imposed," said Mr

In the wake of the ballot rebuff. AMMA is to launch a £50,000 press advertising campaign to encourage parents to support teachers' opposi-tion to Mr Baker's package.

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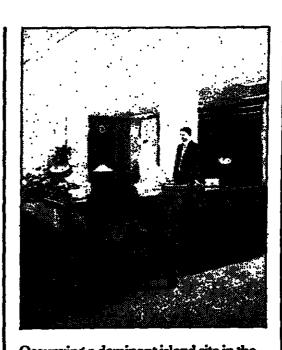


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FT LAW REPORTS

Bank to gain possession of dry rot house

CITIBANK TRUST V AYIVOR

Chancery Division: Mr Justice Mervyn Davies: March 11 1987.

WHERE a bank has a right possession of mortgaged perty the court cannot only that the mortgagor is counterclaiming against the bank in respect of its having allegedly misled him into buying defective property.

Mr Justice Meryyn Davies so Mr Justice Merryn Davies so held when allowing an appeal by Citibank Trust Ltd from Master Gowers's decision to stay a possession order made by him in favour of the bank against mortgagors, Mr and Mrs Eliss Billow Rodozo Ayivor.

Section 36 of the Administra-tion of Justice Act 1970 pro-vides: "(1) Where the

and Mrs Ayivor's house was charged by way of legal mort-gage with repayment of a £33,000 loan made by Citibank. Repayment was to be over 24 years by instalments of £344 per

Mr and Mrs Avivor were in arrears with the instalments. Citibank claimed payment of the money due and possession. On February 10 1987 Master Gowers made an order for possession within 28 days, but the possession was qualified. During the six months from February 10 the order was not to be enforceable despite the arrears if the instalments were paid and a counterclaim was his means to rectify.

Mr and Mrs Ayivor admitted The Ayivors claimed £9,041 they were in arrears. They contended however that Citibank consequence of its having miswas liable to them for negli-gence or breach of warranty; and that the damages recoverwould extinguish the arrears. It was that contention to a counterclaim in the Master's

The Ayivors' evidence was

"As close to true

family care as

the elderly

possibly

-said have"

JOHN MORTIMER

gage offer prior to a survey of possession of the mortgaged the house. It was therefore property. The cases showed that the house. It was therefore supposed that Citibank would only make an offer if the house was good security.

Mr Avivor did not order any survey. In due course Citibank

The offer was accepted and the Ayivors completed their pur-chase. They then instructed Hillcrest Timber Preservation to report on dampproofing and rot. The report indicated remedial treatment against dry rot was required together with other works, estimated at a total of £9,098.

It was clear from the report that the house was seriously affected by damp and timber decay, with the cost of remedial sppears that . . the mortgagor is likely to be able within a guarter of the money lent.

On receiving the report Mr Ayivor asked to see a copy of any survey received in commentum with his perchase. It stated "rising damp and dry ind Mrs Ayivor's house was rot were seen."

Mr Ayivor complained that that disturbing feature of the survey was not mentioned in the mortgage offer. He contended that he should have been informed of what was said about rising damp and dry rot, and that the effect of the retention clause in the mortgage offer was clause in the mortgage offer was to indicate that there was no evidence of either defect.

He said that if Citibank had accurately set out the surveyor's finding in the mortgage offer he would not have proceeded with the purchase without first ascer-taining that the problem identified by the survey was within

prosecuted.

Citibank appealed seeking an order for repayment and possessive your's report albeit that it was not not before him.

led them into supposing that the house was free of rising damp and timber rot.

The court expressed no views as to the counterclaim, save to

say that since Mr Avivor was paying for the survey, one would have sunpposed that he would have been sent a copy.

that they were informed Citi-bank would not make a mort-legal mortgagee had a right to did not affect that night.

Section 36 of the Administra-tion of Justice Act 1970 modified the rule by conferring a discretion on the court. The specified repairs relating to the But it might exercise them only roof, arranging for damproof- if it appears to the court that and rot reports, front door glass and overhanding water disposal systems. period to pay any sums due under the mortgage

By section 8(1) of the Administration of Justice Act 1973 the court was not obliged, when considering the section 36 discretion, to regard the entire principal sum and interest as now due, skibough, under the mortgage terms, it was due by write of the default.

Section 8(2) of the 1973 Act required the court to have in mind not only the unpeid instalments already due, but also the instalments that would fall due during the "reasonable period" contemplated in section 36(1).

Et was accepted that the Ayivors would be able to pay such instalments as they fell due. It seemed that payments had always been within Mr Ayivor's ability but he decided not to pay because he regarded himself as having a claim for non-disclosure of the surveyor's recogn.

to the question of arrears of 5,589. Mr King for the Arivors proposed a total monthly payment of £300. The arrears would thus not be cleared off for 100

Mr King submitted that in exercising the section 36 dis-cretion, the court was not confined to such calculation of time. He said account should be taken of the following considerations: (a) that Mrs Ayivor might from July nowards be able to add to the family income; (b) sale of the house before core of the rot would result in a depressed price; (c) the principal sum owing was secured by endowment policy; (d) it would be right to allow time for a sale by the Ayivon particularly since the plaintiff was a bank and the security was not depreciating; (e) the counterclaim might result in a

substantial sum being owed by Citihank to the Ayivors within

As to (a) there was no evidence. Considerations (b) and (c) could not properly be taken into account in the context of section 38. As to (d), Lord Justice Browne said in Royal Trust Go v Markham [1975] 1 WLR 1416 a stay to enable only be done where there was clear evidence that a sale was going to take place in the near future and that the price would cover all the sums due to the mortgreee."

There was no syidence that there was in prospect only sale by the Ayivors. Consequently effect could not be given to consideration (d). To allow weight to (e) might nullify or circumvent the rule that the emissions of a counterclaim did not present the moreograph of the programment the moreograph of section 36 did not seem to pinge on that rule.

Existence of the counterclaim reasonable period" to pay off the sarear. Even if one assumed that did not justify the court in concluding that the Avivors were likely soon to reduce the aircars by paying over any damages they might recover.

On the evidence the mort-sagors were not likely to be able to pay off their arrears within any reasonable period. It followed that the section 36 discretion might not be exercised in favour of the Ayivors.

The court made the order without any enthusiasm at all because it appeared the Avivors because it appeared the Avivors were dismayed to have the dry rot disclosed to them, after they bought the house. Citibank allowed the purchase to go ahead and the mortgage to be executed without supplying the Avivors with a copy of the survey, though requiring them to nay for if.

For Mr and Mrs Aginor: tichard King (William Stockler

(Charles Caplin & Co).

By Rachel Davies

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March 18, 1987.

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Coupson No. 12 will be used for collection of this dividend. CITIBANK, N.A., London March 18, 1987. Depositary

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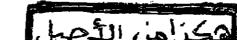
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STREET OF STREET SECURITY

HIE:35

Proceedings of the second seco

44 Table 2

Michael Page City International Recruitment Consultants London Brussels New York Paris Sydney A member of Addison Consultancy Group PLC

What the sages advise on career directions

BY MICHAEL DIXON

"IVE REACHED a crossroads In her particular case, there-in my career, and don't know fore, a better adviser might be which direction to take. Can Benjamin Disraeli, later Earl of IVE REACHED a crossroads

you help?"

The reader who sent in that question last week is far from alone. To judge by the frequency with which such requests reach the Jobs column, a good many of you periodically find yourselves plumb disorientated in mid-working-life.

The sad fact is that in the circumstances there is little useful aid I can give. I might be able to do something if the need was for information on a particular kind of job or some similarly specific topic. But gnidance on a whole career is leagues beyond my province.

Of course I'm not provid of

Of course, I'm not proud of my helplessness in the matter. So having been reminded of it yet again, I have tried to find out what established authorities have to say about promising career directions. It turns out that some of them, at least, have definite advice to offer.

Take, for example, John Babsone Lane Soule. His suggestion, stated with every appearance of certainty in the Terre Haute Express of Indiana in 1851, was: "Go west,

While that is no doubt all very well as far as it goes, how-

Beaconsfield. What he said in his novel Tancred was: "The East is a career." And although that conflicts somewhat with the line recommended by Mr Soule, it does not necessarily mean the Earl was wrong on the ques-tion.

For instance, his view is sup-ported by the accompanying table. It is compiled from a report published this morning by Inducon Management Con-sultants on a survey made last autumn of the pay and perks of big companies' expatriate staff.

While most were British, I am told that fairly comparable conditions are enjoyed in the same countries by similarly ranked workers from other European nations and America.

Besides covering only 16 over-seas countries, my table refers to just a single rank of stall. Anyone wanting more informa-tion should contact inducon's Nigel Harris at 197 Knights-bridge, London SW7 1RN; telephone 01-584 6171, telex 916533 Relcon G.

The rank the figures refer to is the one which would typically carry a gross salary of £25,000 in the United Kingdom. Assumever, it is not of much use to ing that the person concerned the sender of the latest request is married with two dependent for aid who happens to be a children, tax and so on would woman in her mid-30s reduce that sum to a net pay of

Costs of utilitie n/a 17,690 17.590 35,864 37,757 42,034 32,196 41,386 29,638 63,217 36,500 33,452 24,573 22,836 22,554 20,877 317,416 49,331 37,300 37,101 34,964 35,623 34,811 34,762 33,454 30,869 29,017 28,865 26,227 25,568 25,669

£17,690 which of course would also be the UK "buying power" —as is shown at the top of the

the pay and perks prevailing among people of the same rank working as expatriates in the

First comes their average net pay in sterling at the exchange rates of October 1 1986, followed by their average buying power at the local prices of the time. Then we see what percen-tage of the expatriates also re-

ceived each of a range of handsome fringe benefits. It is quite clear that the Brits who took the eastward direction

do far better than those who went west. Even so, Disraell was not necessarily right in calling the IT IS to be hoped that those east a "career." For a career is surely something entailing

from the east, nor from the west; nor yet from the south."

cautionary words will be borne in mind by any readers tempted by the jobs being offered by recruiter Trevor James on be-half of companies he may not only rich rewards in any particular job, but also advance-ment—on which Psalm 75 says: "promotion cometh neither

name.

And while that still leaves the

porth open as a possibility, hav-

ing come from that way myself, I wouldn't bank on it.

Bermuda

later, he promises to abide by any applicant's request not to be identified to the employer at this stage.

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You are probably a graduate with a minimum of five years' investment experience, at least two of which must have been in an active UK equity fund management role with good performance. A solid background in investment research is mandatory.

International Unit Trust Manager

Our objective is to make these funds market leaders and whilst there is a high degree of personal responsibility for stock selection you will have the support of colleagues who specialise in specific markets. You should have a breadth of international investment experience and possess the maturity and skill to handle this high profile role.

Candidates with the relevant background and experience should write, enclosing a detailed curriculum vitae, to: Ian Carlton, Personnel Manager, NatWest Investment Bank, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2PS.

& The NatWest Investment Bank Group

An opportunity for a young high-performance Fund Manager to move into Equities Portfolio Trading

This is an opportunity to join one of the top ranked stockbrokers and marketmakers and take substantial positions in prospective bid situations, based on your

own analysis. You will have an active role in the market, using the house investment book to trade in UK equities, futures and options, normally over several weeks or months.

To be a candidate you should be aged 23-30 and have at least 2 years' experience of managing high performance funds, which could be either high growth unit trusts or aggressively managed pension funds. You

should have a strong entrepreneurial spirit and good communications and interpersonal skills.

The company offers a fully competitive compensation package including profitrelated bonus, mortgage subsidy, noncontributory pension and other attractive benefits. There are exceptional promotion

To apply please telephone John Sears and Associates, Executive Recruitment Consultants on 01-629 3532 or write with CV to Cavendish Court, 11/15 Wigmore Street, London WIH 9LB.

and Associates

Assistant Company Secretary

Bovis Construction Limited, one of the U.K.'s largest building contractors, is offering a challenging career as an Assistant Company Secretary.

Working closely with the Company Secretary, you will be mainly concerned with commercial and contracting matters and negotiations. Previous experience of the construction industry would therefore be an advantage and you should be a Chartered Secretary or Solicitor.

For the person we appoint, we are prepared to negotiate a salary which reflects the importance we attach to this position. Valuable additions will include a company car, and pension with life cover. We are an Equal Opportunities Employer.

If you would like to work in a stimulating environment, which offers job satisfaction and good prospects in our flourishing company, write with personal and career details to:

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£22,000

FAR EASTERN PORTFOLIO MANAGER

Opportunity to join a top team

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City

Management is one of the City's major
It is also vital that the person appointed seeking a talented PORTFOLIO to other members of the team. MANAGER who will play a crucial role Far Eastern Funds. Our requirement is for a minimum

analysis of Far Eastern funds - ideally with emphasis on the Australian & fund management. Pacific Basin markets, although we cants with experience of the Japanese

Certainly, the person who joins our team will be a graduate, aged 23-30, and prepared to work exceptionally hard-and apply a great deal of initiative London EC4N 4TP.

Neg. salary

Legal & General Investment - in order to achieve maximum results.

international investors. We are currently is able to communicate ideas effectively Salary will be negotiated to reflect

in the analysis and management of our the importance we place on this position and will be supported by a full range of financial sector benefits. In addition we of one year in the management and are offering the opportunity for you to develop your talents, and grow into

Interested applicants should send would be interested to hear from appli- a full cv. to: Chris Wilson, Assistant Personnel Manager,

Legal & General Investment Management Limited, Temple Court, Legal &

Bond

Salesperson

A privately owned investment banking firm based in London and New York, operates as a traditional merchant banking organisation providing capital ratsing and financial advisory services for their clients.

They now require a Bond Salesperson to expand the German and Austrian institutional business.

institutional business.
Having had previous experience of trading/sales in an Austrian or German Having had previous experience of trading/sales in an Austrian or German bank, your fluent written and spoken German should have earned you well-established contacts with German and Austrian institutions, as well as a knowledge and understanding of the current political and cultural climate. You will preferably have an economics background with analytical and numerate skills and an additional European language.

Please send a full CV to Victoria Fielding,
PER, Rex House, 4-12 Regent Street, London SW1Y 4PP.



Central London

Unit Trusts Sales Manager

Midlands & N. West — London based £50,000 potential

Our client is a major independent investment group, whose funds are invariably amongst the sector leaders and consequently enjoys particularly strong support from the more sophisticated professional adviser.

They will be providing unique backing in the form of highly efficient technology based information systems. You will, therefore, be able to provide your clients with a service second to none, whilst making it possible for you to operate out of the London Head Office with continuous access to

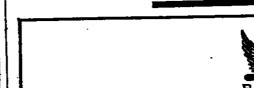
Between 25 and 40, you will ideally have an investment background acquired within a stockbroker or another unit trust group, although experience of selling unit linked products to professional intermediaries would be

The comprehensive benefits package includes a high basic salary, an attractively designed bonus scheme, non contributory pension, PHI, family BUPA and choice of quality car. To apply in the strictest confidence, please write or telephone Robin Douglas

quoting reference 5013.



International Search and Selection 160 New Bond Street, London WIYOHR Telephone 01-4997761



FOREIGN EXCHANGE DEALER

Due to expansion of the Foreign Exchange dealing activity Baring Brothers & Co., Limited is seeking a dealer to join its existing team to expand and develop the forward exchange trading of the bank within the interbank market.

Suitable candidates are likely to be aged between 22-30 years and have had a minimum of 2 years experience of forward eachange within an active dealing environment. Some experience of spot dealing would be an advantage. Salary will be negotiable according to age and experience and other benefits including mortgage subsidy, non-contributory pension scheme and B.U.P.A. membership.

Applicants should write, enclosing a curriculum vitae to: Miss E Williams, Baring Brothers & Co., Limited, 8 Bishopsgate, London EC2N 4AE.

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You will be experienced in Venture Capital/Merchant Banking to lead a balanced investment team taking projects from enquiry to recommendation to Chief Executive and Board for decisions.

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Probably with a background in the manufacturing industry. Your must be fully conversant with company finance in addition to specialising in production or marketing.

The Derbyshire Enterprise Board Limited has been formed by Derbyshire County Council to promote investment in local industry.

Application forms and further details from the: Chief Executive, Derbyshire Enterprise Board Limited, c/o County Offices, Matiock, Derbyshire, DE4 3AG. Tel: Matlock (0629) 3411 ext 6023 Closing date -- 3 April 1987

All applicants will receive equal treatment regardless of their se marital status, sexual orientation, race, creed, colour, at national origin, or disability.

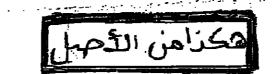
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seeks an individual with at least a year's experience of capital market transactions to join a lively team of journalists assa-sing reporter on a new weekly newspaper.

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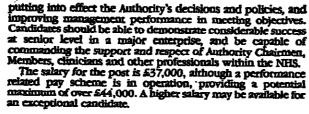
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REGIONAL GENERAL MANAGER

-HARROGATE

Notishire Regional Health Authority provides strategic management for health services to 3.6 million people delivered through 17 District Health Authorities. The Region employs 70,000 staff and has an annual revenue spend of \$783m. Major management changes have been introduced in the last two years at both the Regional Health Authority and in each of its Districts. Our Regional General Manager has made considerable progress in giving a new impetus and direction to the management of the service. He is now returning to his former employer in a top management position, and we look to recruit a successor who will build on the excellent foundation he has laid.

Our prime aim is the improvement of health and health case for people in the Region. We are looking for strong and imaginative leadenship of a management team in which the emphasis is on individual accountability for the efficient use of resources. The General Manager is responsible for



Please write in strictest confidence, giving sufficient brief details to justify a preliminary interview, to the Chairman: The Old Brewery, 1824 9SB.

Yorkshire Regional Health Authority.

OPERATIONS DIRECTOR

Plasse forward to Box A0455 Financial Times, Bracken Houst 10. Cannon Street, ECAP 48Y. Closing date for applications Monday 6th April.

SPOT £15,000 to £50,000

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Investment Trust Sales

We wish to recruit an Executive with several years experience of Investment Trust sales to join our established team, servicing institutional clients. This is an excellent opportunity for applicants with a proven track record in this field to further their career.

We are offering an attractive salary, which is negotiable according to experience, and a comprehensive benefit package. Career prospects are excellent.

Please write enclosing full personal and career details to: Gareth Hughes, Personnel Department, Kleinwort Benson Group, PO Box 191, 10 Fenchurch Street, London, EC3M 3LB.

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As a member of a small and successful team at our hectic Lymington branch you will be actively involved in managing portfolios for a diverse range of private clients.

In your late 20's you will be a member of the Stock Exchange (recently qualified) or a registered representative with the appropriate experience. You will also be looking to further establish your career by working for one of the



most respected names in banking. Previous portfolio management

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sperience is essential together with a lively and personable personality. Salary will reflect ability and experience. Excellent benefits are those expected of a major banking group and will include generous assistance with relocation expenses where appropriate.

Please write in the first instance with full personal and career details to Mrs. Carolyn J. Bland, Manager, Personnel, Samuel Montagu & Co. Ltd., 114 Old Broad Street, London EC2P 2HY.

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A Position Of Strength

UK Convertibles Sales

Highly attractive package

One of the leading stockbroking firms in the UK, our client's first-class reputation extends throughout the securities market, particularly in the area of equity research.

The firm's convertibles team is well-established and commands a significant percentage of the sector. To consolidate their position, they now seek an additional salesman to join the team.

Whilst specialist sales experience in convertibles will be an obvious asset, the overriding requirements are marketing ability and a thorough knowledge of the sector. Individuals looking to switch from convertibles asset management into sales, or those with a capital markets sales background could also prove to be suitably qualified. For the right individual, the reward will be excellent, both in terms of remuneration and career development.

In the first instance, please contact Anna Robson or Sally Poppleton at the Securities Division, 39-41 Parker Street, London WC2B 5LH, telephone 01-404 5751. All replies will be treated in strictest confidence.

Michael Page City

International Recruitment Consultants - London Brussels New York Paris Sydney Amember of Addison Consultancy Group PLC

As a result of significant expansion plans the bank now has additional vacancies in South Wales for

APPOINTED OFFICERS

The Bank is seeking to recruit a number of staff, ages 24-28, who have personal and commercial lending experience - ideally in a Banking environment. These posts will only be offered to people who are intent on developing a career by hard work and using their emergeise to take advantage of the opportunities arising in a banking environment where

expansion is taking place. A competitive remuneration package will be available for the right applicants.

Please write, giving full details of career and interests to:



Head Office, Bank of Wales PLC, 114-116 St. Mary Street, Cardiff, CF1 1XJ

National Sales Manager — Pensions —

Merchant Bank City based

£30,000 basic + profit share

Our client is the asset management subsidiary of one of the most prestigious names in merchant banking.

To optimise the market potential created by changes in legislation affecting pensions, they are forming a new division specifically targeting the smaller group schemes sector.

Having built your own sales team, you will lead them in developing relationships with Professional intermediaties; particularly Consulting Actuaries, Benefit Consultants, Solicitors and Accountants, whose income derives from fees rather than commission. Ideally you will be aged 30-35 with a good understanding of investments, especially unit trusts. You must be able to prove a successful track record as a

Pensions Sales Specialist. As you might expect the comprehensive benefits package includes a generous mortgage subsidy, non contributory pension, BUPA and choice of quality

To apply in the strictest of confidence please telephone or write quoting reference RD 5005.

International Search and Selection 160 New Bond Street, London WIYOHR Telephone 01-4997761

FORWARDS TRADER LONDON

Our client is a well established international bank with an excellent reputation. To complement the existing, active dealing team they require an experienced and highly capable forwards trader. The appointee will be encouraged to expand the existing forwards book and experience in a major currency or

Applicants should have at least three years forwards trading experience with a medium to large bank and should possess a broadbased and in depth knowledge of

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Our recent acquisition by PKbanken, a major Swedish bank, has allowed us to greatly expand our investment management activities.

We are now looking for a professional with funds under management who is interested in working within a tightly knit investment environment. Age is not an issue and we are equally keen on seeing young, career-minded fund managers as those older and more experienced, who are working up to retirement and have an existing client base.

Our approach to remuneration is just as negotiable and we are open to proposals.

If you are interested in an involvement with a progressive, new financial institution, please ring Richard Cox-Johnson on 01-920 9120 or write to him at PK English Trust, 4 Fore Street, London EC2Y 5EH.

ENGLISH

MANAGEMENT

SENIOR INVESTMENT ANALYST – EDINBURGH

wood Mackenzie & Co Ltd, a member of The Stock Exchange and a subsidiary of the Hill Samuel Group, is expanding its research team covering UK and European healthcare companies, with the aim of developing its existing strong business base in the area.

We are seeking a senior analyst based in Edinburgh to lead a group of specialists covering the UK and European health and household companies. Close liaison will be required with Wood Mackenzie's healthcare analysts based in New York

Candidates should have a proven track record in investment analysis in a broking or fund management organisation. Previous knowledge of the sector, whilst an

advantage, is not essential.

Excellent career prospects are offered together with an attractive salary and comprehensive benefits package which includes a mortgage subsidy, profit related boms and non-contributory pension scheme. Please apply with full career details to:

Ian McBeau, Head of Research, Wood Mackenzie & Co Ltd, Kintore House, 74-77 Queen Street, Edinburgh EH2 4NS.

Wood Mackenzie & Co. Ltd.



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Jonathan Wren

COMMERCIAL PROPERTY LENDING

Enegotiable

Further expansion within the UK commercial property lending sector is planned by this substantial British bank. To achieve this the bank wishes to recruit an experienced property financier with a number of years experience in administering appropriate mandates for commercial propositions and syndications of some of these facilities.

ideally aged between 26 and 32, the successful applicant will work with a small professional team of property specialists and bankers engaged in financing business throughout the UK and generally promoting and developing the comprehensive services the bank has to offer.

> **AUDITOR** £negotiable

A new position has been created by this international bank within it's Computer Audit Department. Duties will include on-site reviews of the bank's computer installation, analysis of new and existing computer applications by reviewing system specifications and code for control, as well as creating software to improve efficiency.

A good education and experience gained within a similar institution in the City would be

For the above positions please contact Richard Meredith.

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Recruitment Consultants

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Great potential to develop new accounts with a strong relationship base.

This leading Canadian house is widely known as an excellent marketmaker and a leader in Can \$ sales. The Company has already established an extensive network of institutional relationships but is not yet a big player in the USS market. It is investing heavily in this area, offering you an outstanding opportunity to generate high level sales. You will operate without territorial restrictions and have the freedom to create other books where

you have specialist experience. To be a candidate you should have experience

of active sales in the US dollar bond markets. Age is not important and it is not essential to have an existing client base. However if you do, you can continue to service it.

Your value to the Company will be rewarded by a substantial salary and bonus package and by exceptional future prospects.

To discuss this opportunity, telephone John Sears and Associates, Executive Recruitment Consultants, on 01-629 3532 or write with CV to Cavendish Court, 11/15 Wigmore Street, London WIH 9LB.

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> 01-248 4782 Emma Cox 01-236 3769

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Phillips & Drew Moulsdale Ltd. is the Group's Primary Dealer in the Gilt. Market and enjoys a significant share of the new market. As part of a programme of continuing development, Phillips & Drew Moulsdale is establishing a trading capability in a full range of Sterling Money Market Instruments and will seek a bill-dealing relationship with the Bank of England.

We are now seeking to recruit people with experience in trading and distributing Sterling Money Market Instruments and who are able to make a significant contribution to this exciting, new venture and its future.

Candidates should be of graduate calibre, between the ages of 25-35, and be able to demonstrate a good track record of dealing in the Sterling Money Markets.

We will reward you with an excellent compensation package which includes a performance-bonus, mortgage subsidy, pension scheme, free life assurance and free BUPA.

Please send a comprehensive curriculum vitae to Geoff Gray, or call him on 01-628 4444, extension 2155, for further information.

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A MEMBER OF THE UNION BANK OF SWITZERLAND GROUP.

Jonathan Wren

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Reporting directly to a main board director, the appointee will have full responsibility for the management of the company's sterling liabilities of £120M, arranging all funding lines, investigating new borrowing instruments and developing treasury support systems. The Treasurer will also be responsible for financial planning and forecasting.

Benefits are exceptional and include mortgage subsidy, company car, contributory pension, free life assurance and private health care. Relocation expenses are available where necessary. Contact Peter Haynes.

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No.1 New Street, (off Bishopsgate), London EC2M 4TP. Telephone: 01-623 1266. Fax: 01-626 5258.

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For further details, please write or telephone quoting ref. MH340, to:

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Recruitment
London ECAR 2RP
Telephone: Limited



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Leading International Securities House

Our client is a highly respected International Securities
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Due to continuing growth they seek an experienced
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Candidates should ideally be graduates, with a minimum of five years experience in PR, Publicity or journalism. A thorough understanding of securities and investment banking, good financial press contacts, the ability to communicate at all levels and creativity are essential

This newly created position will incorporate all aspects of Public Relations. Developing and maintaining close relationships with the press and organising sponsorships are vital responsibilities as well as communicating with employees, clients and the financial community.

For an initial talk in confidence please contact Vicky Mann, 20, Cousin Lane, London EC4R 3TE. Telephone



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An opportunity to become Syndicate Manager with an influential U.S. Investment Bank.

The firm is an old established New York House whose principal activities in London include trading and distribution of international securities. The Syndicate Manager has responsibility in the firm's participation in underwriting new issues and for origination proposals.

One of your main responsibilities will be to actively maintain relationships with other Houses, to generate and respond to invitations to participate in issues.

To be a candidate you should

have a good working knowledge of the International Capital Markets not necessarily in a syndicate function. The bank offers an attractive flexibly arranged compensation package and an attractive, performance-related bonus scheme.

To apply, please telephone John Sears and Associates, Executive Recruitment Consultants, on 01-629 3532 or alternatively write to us at Cavendish Court, 11/15 Wigmore Street, London WIH 9LB.

Registered Representative **Bank Advisory Department**

Lloyds Bank Stockbrokers Ltd., part of the Lloyds Merchant Banking Group, started operating on 27 October 1986 and its business is growing fast.

The Bank Advisory Department services the Lloyds Bank branch network. It's brief is to respond to telephone enquiries and to provide a professional portfolio management service for branch customers.

A Registered Representative is required with experience of private client business gained with a stockbroking firm or similar investment institution. You will be joining a small hard working team with good prospects for the future. A competitive salary will be offered together with excellent banking benefits.



Lloyds Stockbrokers

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The Personnel Director Lloyds Merchant Bank Ltd 40-66 Queen Victoria Street London EC4P 4EL

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The London branch of Norddeutsche Landesbank is seeking a Deutsche Mark bond trader to augment its existing capital markets team.

In his/her early to mid-twenties and with 1-2 years experience in the DM bond market the successful candidate will quickly be expected to become a fully integrated member of a small active team and must therefore be highly selfmotivated and able to cope with responsibility. A good academic

background is also important and a working knowledge of German would be an advantage. Remuneration will consist of a

competitive salary and the usual bank

Applications supported by a comprehensive curriculum vitae should be addressed to the Personnel Department, Norddeutsche Landesbank Girozentrale, 20 Ironmonger Lane, London EC2V 8EY.

NORD/LB

FOREIGN EXCHANGE CONSULTANT / DEALER

Please address curriculum vitae to: FINTECH (UK) LIMITED rest, Windsor, Berkshire SLA 1LD - 9763 842022

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The Equitable are one of the oldest and best established financial institutions in the UK with total assets exceeding. \$25 billion and currently 8 unit trusts under management. Current and planned future growth has created the need for an additional analyst, based in the City, to particip in the evaluation of a broad range of UK equity holdings. The career development prospects are excellent, initially to assist with fund management and thereafter to take responsibility for a meaningful part of the Society's equity portioilo.

Candidates should have a good degree and 1-2 years experience of analysing UK equities.

A competitive salary is offered together with generous fringe benefits and relocation assistance where applicable. If you would like to be considered please write enclosing a curriculum vitae and details of your current salary to:

T.D. Glover, Personnel Services Manager, The Equitable Life Assurance Society, Waiton Street, Aylesbury, Bucks HP217QW.

The Equitable Life

INVESTMENT ANALYST

SMALLER COMPANIES Robert Fleming Securities, the broking arm of the Flemings investment banking group, wishes to appoint an analyst to join a team which specialises in researching a diverse group of small and medium-

sized companies. Previous experience of research in an institutional investment environment is desirable, but by no means essential. Suitable alternative backgrounds might include corporate finance, accountancy, and direct experience of the smaller business sector. The qualities of the successful candidate will include an ability to assess companies from all aspects and, equally, an ability to communicate views succinctly and effectively to institutional investors.

This post offers an attractive salary plus all the usual banking benefits.

Applicants of either sex should write enclosing their curriculum vitae to:

Frank Smith,
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Due to continuing expansion of our currency management and treasury services to corporate clients, we are looking for professionals with in-depth experience of devising and marketing effective risk control strategies using the instruments now available. This major challenge, with a long established

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Write with CV to John Penrose at:



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Rodney Gamble, R. M. GAMBLE & CO. LTD. Standbrook House, 2-5 Old Bond Street. London WIX 3TB

REVORILL Edit Mark Tel: 0

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Sound Sterling/US Dollar or Eurocurrency experience required by energetic, forward thinking organisation. Recognised market trading ability will be rewarded with an excellent financial package.

Ref. C5409

Ref: C5409

SENIOR DEPO DEALER Well known Skandinavian Bank currently seeking a Semior Deposit Dealer who must have FRN/FRA experience. Age late 20s, early 30s.

Ref: C5450

£30,000

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Leading N. American Stockbrokers require proven Insti-tutional Equity Sales exp. gained in the US/Can. markets. Self starters only.

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Hill Samuel is one of Britain's most respected financial institutions. Personal Financial Services is a growing business sector with more and more people requiring advice and guidance on how best to stully manage their money.

Hence we have openings for mature, responsible individuals to join the Hill Samuel Investment Services team of advisers. Based at our new divisional offices in Windsor.

Whilst a knowledge of financial matters would be an asset, we are prepared to give you thorough and comprehensive training as well as providing excellent support services and opportunities to earn a very substantial income.

To launch your second career talk to Hill Sammel. Write enclosing C.V. or call Peter Stoner at Hill Sammel Investment Servicer Limited, 50 Pall Mail, London SW1Y 51Q. Telephone 01 629 7174.



FOWLER SUTTON **STOCKBROKERS** SENIOR DEALER

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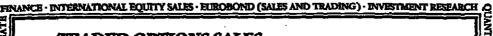
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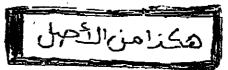
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themselves to Hongkong for at least two years. The Editor will interview selected applicants in London

in early April. Applications, with a full CV, should be sent The Editor

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Vocational Training Council HONG KONG

The Banking Training Centre of Hong Kong

Centre Manager

The Vocational Training Council (VTC), a statutory body responsible for Government assisted manpower training in Hong Kong, will establish a Banking Training Centre of Hong Kong by the end of 1987. The main functions of the Centre include the development and implementation of work-based courses with narrowly defined objectives to cater for the short-term practical training needs of various categories of banking personnel. The Centre will have a Centre Manager, professional, administrative and supporting staff. Applications are now invited for the post of Centre Manager for the administration and operation of the

Applicants should possess a degree and/or professional qualification in banking. They should have not less than 10 years post-qualification experience in banking part of which should be in managing practical banking training. Prior experience in setting up a banking training centre would be an advantage. The successful candidate will be expected to

assume duty in mid 1987. Condition

The post will attract a monthly salary of HK\$24.785-HK\$28.135 (Ξ 1 = HK\$11.75 as at 27.1.87 but this is subject to fluctuation) depending on qualifications and experience. The appointee will be offered an initial contract of four years, inclusive of leave, plus 25% terminal granuity upon satisfactory completion of the agreement. Thereafter, the appointee may be offered either contract or superannuable term at the discretion of the Vocational Training Council. Pringe benefits include leave and passages, housing, medical and dental treatments, children's education allowances and school passages.

Application forms are obtainable personally or by post from the Hong Kong Government Office, 6 Grafion Street. London WIX 3LB. The completed application forms should then be returned direct to the Executive Director, Vocational Training Council, 15/F. Harbour Centre, 25 Harbour Road, Wanchal, Hong Kong to reach him on or before 31 March 1987.

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David Vine: one big change rather than many small ones.

FINNISH company Vistacom Industries is launching a video-phone, which allows a tele-

The system will operate over any suitable digital link, but is aimed mainly at the forthcoming ISDN (integrated services digital network) services, where a pair of 64,000 bit per second (64 kb/s) channels will give subscribers data and images over the telephone lines. Major coun-

To squeeze the high bit rate of a colour TV image into a 64 kb/s channel, codec (codedecode) circuits are used. In normal TV, the picture con-tent of each frame (50 every second) is sent in its entirety. But in a videophone "mug shot" there is little change between one frame and the next and the codec transmits normal. This means rapid movements are blurred. The desk-top unit, housing hand-set, keypad, camera and small colour screen, weighs 12kg (26lb).

Joint effort on subsea vehicle

North Sea and Ferranti Off-shore Systems are under-taking a joint project to design a new subsea production system that can be installed system that can be instanced and maintained using a re-motely operated vehicle (ROV). The vehicle would be controlled from a support ship, avoiding the need for

The system will be designed for operation in water depths up to 1,000 metres (3,280ft) and will be suitable for all and gas production water and gas injection. using water or gas injection.
It is expected that bids will be invited in the summer for fabrication of a prototype,

FIVE YEARS ago, the future looked uncertain for Mr David Vine, manager in charge of UK

brake-pad production at Ferodo, one of the world's biggest friction-materials companies.

Ferodo, a subsidiary of Turner and Newall, the engineering group, was accumulating large losses because of the company's inability to turn out propany's inability to turn out products at a cost and to a quality that the market wanted.

"We were in a fight to survive." Mr Vine recalls. "To give ourselves a future we decided we had to make one big change, rather than a lot of small ones."

The change — of relevance to other manufacturing con-cerns struggling to increase product standards while reducing costs — was a £2.5m modernisation of Ferodo's main

UK factory at Chapel-en-le-Frith, near Manchester. A group of seven engineers under Mr Vine set about replacing the old, heavily labour-tensive method of making brake pads with an automated pro-cess. The result has been both

an improvement in quality and a huge decrease in manufacturing costs, although Ferodo is coy about saying exactly how much has been saved.

Since 1982, the factory and the material and presenting the items to cutting tools to remove edges.

The cells operate for 24 hours a day. Each of them requires just four workers — one person much has been saved.
Since 1982, the factory's output has increased by 35 per cent, while the number of employees has dropped by about a day. Each of them requires just four workers — one person in charge of production, one maintenance man and two operators, who load goods in and out.

Peter Marsh explains how automation offered Ferodo of the UK a chance of survival

700 to 1,500. Mr Vine says that, in spite of redundancies, the company's plans met little opposition because the changes were viewed as essential to re-

Ferodo's UK operations have re-turned to profit Thanks

turned to profit.

The new process is based on 12 computer-controlled manufacturing cells, in which robots shuttle pads in and out of large presses. These machines push metered quantities of fibrebased material into moulds, out of which come bardened places. of which come hardened plugs.
These are stuck to steel plates
to form the finished pad.

to form the finished pad.

Robots in the cells, which can

be reprogrammed to make

different types of pad, also take

care of subsidiary operations,

such as putting the products in

ovens for baking (to change the
chemical state of the material)

and presenting the items to cut-

With the new equipment, output per person is 15-20 per cent higher than with the old system. The company has also beneated fitted from a large reduction in mechanisms ensure the cost of the reduction in the month of the month modernisation various stages of manufacture around the plant. Output from the cells is in-

creasing and accounts for two thirds of the factory's production. According to Ferodo's schedule, the old manufacturing methods, in which the jobs which can now be handled by the cells are left to groups of workers on machines scattered around the factory, will be phased out completely by the end of next year. Ferodo's brake pads,

Ferodo's brake pacts, of which the Chapel factory makes about 1m a year, in thousands of varieties, mainly end up in the front-wheel systems of cars made by companies such as Ford, Flat and Volkswagen. In western Europe, after BBA, another big UK components group, Ferodo is the second biggest producer of brake pads, a business worth about £250m a year. Other competitors include West Germany's Jurid, owned by Bendix of the US,

of

Computers in the Chapel sys-tem weigh out materials highly accurately, while other sensing

mechanisms ensure the fibre stays in the mould for a set length of time. As a result, products are turned out with greater consistency than when done manually where human error was likely.

The new process says Mr Vine, has cut the number of defective items and increased the confidence of customers, which include brake manufacturers such as the UK's Automatics. motive Products and Lucas, and Alfred Teves of West Germany. A further advantage, according to Mr David Carruthers, chairman of Ferodo's European

sperations and a Turner and Newall director, is that the equipment makes possible proequipment makes possible products comprising novel mixtures of materials. Exactly what is in the mixtures is a closely guarded secret.

Pads based on cocktails with about eight ingredients, including them and chamical hinding.

No brake on the pace of change

The composition of the cockroutine. tails frequently changes to create different types of pad, depending on the car it is designed for and whether specific frictional characteristics are needed. This made it essential to have a highly

flexible system. Ferodo has introduced new products partly to reduce the company's use of asbestos, which is widely associated with health problems. A heavy dependence on the substance was one of the reasons behind Turner and Newall's massive cash crisis in 1982, when it had to be rescued by a group of

In the late 1970s, virtually all Ferodo's pads used asbestos, while today the proportion is about half, with substitutes including glass, steel or aramid fibres. fibres.

Ferodo's recovery has played a part in the overall reshaping of the parent company. Turner and Newall has, in recent years, and Newall has, in recent years, reduced unprofitable operations in areas such as building materials and last year registered a profit of £40m on sales of £535m.

By 1983, 2 year after Mr Vine started work on the design, the project went before the full Turner and Newall board,

dispense, fluid power, special-purpose valves, general engineering, refined and wrought metals. Birmingham, England

for building products, heat exchange, drinks

which approved the scheme. The engineers would have liked a new factory to house the new system—but that was out of the

question.
Instead, they cleared a site in the centre of the cluttered. 90-year-old factory at Chapel Of the £2,5m the project has cost. about 40 per cent repre-sents systems engineering by the company, with the rest taken up in the purchase of equipment such as robots and presses. Such is the competitive nature of the brakes business that Ferodo refuses to reveal its suppliers, and has hidden these details from visitors by removing name plates from

Work scheduled for the next machinery. 18 months includes a plan to install more equipment to automate pad production after the basic moulding and baking These steps involve finishing processes such painting marking and packing in boxes.

Ferodo has already produc a pilot system of fine final manufacturing stage. It is due to be introduced at a cost of a further £2.5m.

The multicolour phone call

phone conversation to be accompanied by full colour television images of the speakers.

tries will introduce ISDN in the late 1980s.

only the changes, reducing the bit rate to 1/1500th of

COMPANIES Mobil

Designed for speed

GENERAL Electric of the US is designing custom inte-grated circuit "chips" for grated circuit chips its products in three days, using a "silicon compiler" (computer aided design tool) developed at its Schenectady, New York laboratories.

GE claims that VLSI (very large scale integrated) chips, with up to 35,000 transistors, would have taken six months to complete with the design tools commercially available.

'The fastest bit'

TOSHIBA CORPORATION in Japan reports the develop-ment of a one megabit static random access memory chip (SRAM) in which a single stered data item (bit) can be read in 25 billionths of a

The company claims this to be the fastest time yet achieved in the technology it has used, namely comple-mentary metal oxide silicon

(CMOS). Toshiba plans to commercialise the product, which integrates 6.4m electronic components on a fingernall-sized chip, in the autumn of 1988.

Fingertip control: of the screen...

THE UK membrane switch specialist, RH Technical Industries, is offering a touch-screen overlay panel for use with computers or terminals at a price of only £100 in quantities of 100.

The panel is made from polymer materials using a fine matrix of gold conduc-tors thin enough to allow more than 60 per cent of the light through. Attached to any cathode ray tube face or electroluminescent display screen, the unit provides 100 or more independent switching zones of about four square millimetres.

Finger pressure on any cross point switch will send a locational signal to the computer system, allowing the

user to select, for example, instructions displayed on the

The company claims a life exceeding one million operations per switch. The maximum available size of the unit is 300 x 400mm.

...or the graphics IN ITALY, Honeywell Information Systems Italia has developed a dot matrix printer which can also perform as 2

graphics plotter at the touch of a button. Aimed at the personal computer CAD (computer aided design) market, the machine has the usual text printing facilities but has additional circuits that give it plotting abilities comparable with the Hewlett Packard 7475A

The change between printing and plotting modes can be effected without switching off. Basic plotting data, like paper size and line thickness, are programmable.

Truck safety in reverse

OGDEN ELECTRONICS, Yorkshire, UK, company, has developed an electronic safety control system for earth-moving and construction in-dustry vehicles.

It consists of a rear-mounted short-range radar scanner, linked through a central con-trol unit to the vehicle's hraking system and gearbox-When an obstruction is detected within a set area to the rear of the reversing vehicle, the system automatically stops the truck.

The system also prevents the vehicle reversing with a raised skip, only allowing limited forward movement when the skip is lowered.

Key to fleet's fuel supply

TRI-SCAN, the UK com-pany specialising in fuel management systems, is pro-ducing a programmed key that lorry fieet drivers can use to obtain access to fuel

supplies from the company pumps it supplies. Special readers on the fuel pumps interrogate the memory chip in the key before any fuel is

delivered.
Called Aiphakey, the de vice can store up to 1,000 characters, sufficiently to describe the driver, his vehicle, his fuel drawing rights and

Expectations hang-up

ACCORDING to Legica, the UK software systems house that publishes Tarifica, a telecomunications tarifi and service monitoring report, deregulation of telecoms in the UK has had little effect on costs to the business user.

Most people, the report suggests, expected prices to drop particularly with the competi-tion from Mercury. But charts tion from Mercury. But charts compiled by Legica show that if the price index in the UK in 1977 was 160, in West Germany it was 294, in France 122 and in Italy 116.

The UK this year edges up to 105 whereas Germany has



fallen to 132. The Italian index has risen to 174. The report suggests that perhaps the British should not expect too much by way of lower

CONTACTS Vistacova; Helsinki, Finland, O 802 8011. Mobil: London, 831 7171. General Electric: US, (\$18) 387 8284. Toshibe: Tokyo, Japan, S 457 2104. Rit Technical Industries: UK, 0982 81707. Honeywell Irelia: UK office, 0442 42291. Ogden: UK, 0943 484831. Triscan: UK, 9254 672321. Logios: London, 637 8111.

LETTERS TO THE EDITOR

DON'T TELL THE FOOTBALL LEAGUE BUT

WE'VE LAID AN ARTIFICIAL PITCH -

UNDER THIS ARTIFICIAL MUD

Where developing countries will lose

From the Director,

Export Group for the Constructional Industries Sir,-I read Peter Montagnon's piece (March 12) about may be achieved by the more the prospective OECD agreement on concessionality in tied aid with interest. It seems to me however, that it was some-

what misleading.

The proposed change will not cut the cost of mixed credits to Britain (in some cases they will cost more), but will only increase the costs to low interest rate countries like Japan. This will slightly level up the cost of supporting projects by low interest rate and high interest rate countries respectively, but not enough.

sary if Mr Amery had talked to me about our design.

Gibberd's work, but, that apart, I fail to see the relevance of

in a more objective light.

If one reads the inspector's

report, which I hope Mr Amery will now undertake, he clearly

is in favour of the proposals as well as rejecting alternative

schemes of patching up with

the offices to some of the exist-

I do not agree with Mr Amery's façadism views of the late Sir Frederick no idea.

countries for whom there will nine tin gainers, although a certain smug intellectual satisfaction doctrinaire members of some Governments and the more theoretical inhabitants of some Treasuries, most of the latter being able to calculate upon having a job until retirement date no matter what happens to the economy. Their smugness will not be shaken by the fact that it is clear to most people in the business world that they

are wrong. The Americans who sought to increase concessionality will continue to have the world's respectively, but not enough.

The main losers will be the developing countries since the available ald will be concentrated and there will be fewer viable projects, which will also adversely affect the industries and workers in the developed largest aid programme and use required concessionality on each loan while leaving an advantage to the Americans (for one reason) and the Japanese accept the proposals it will certainly cost them more to achieve the new minimum concessionality, but adversely affect the industries and workers in the developed

From Mr M. Coombes

Sir, — I would like to comment on the article "Unwelcome Mayfair development"

(March 9) This latter I be buildings on the rice will be buildings.

We are well aware of the

ing and restoration programme.

gian facades". The only relevant word in this sentence is

imagine, it is a figment of imagination although I do have

to confess that it is possible that we might provide electric lights. As pleasant as it might

Unfortunately architectural

Unwelcome Mayfair shopping plan defended

ment on the article "Twenty-three of the 24 listed to the come Mayfair development"

(March 9). This letter I believe would have been unnecestieve would have been would have been unnecestieve would have been would have

to me about our design.

The article refers to this practice being well known for Heathrow and the Roman Catholic Cathedral at Liverpool. I do not agree with Mr Amery's idea of façadism comes from I have views of the late Sir Frederick.

I fail to see the relevance of richness of small businesses on these buildings, which were not the site. Our proposals allow designed or executed by any of for all to come back on the site.

the existing partners. I think and in many cases they can the author is indulging himself remain on site during the build-

in some architectural mud slinging which is as silly and irrelevant as if he had questioned my parantage. I would like him to visit the restored Carriage Hall in Floral Place, and hard to imgine flourescent florages has might see us

Carriage Hall in Floral Place, not hard to imgine flourescent Covent Garden; he might see us lit cells behind so-called Geo-in a more objective light.

minor improvements. He did be for me to ride to work on a

not suggest consent to the horse I think I might find it a

Minister on the grounds of bit inconvenient in this day and

some detailed points which re- age and in the same sense I lated to overlooking and light prefer drawing with anglepoises angles and the juxtaposition of rather than oil lamps.

the shopping arcades. The inspector stated: "It is my opinion that the concept advo-

cated by the appellants pro- with this approach and I be-vides an acceptable, and lieve architecture should stem

ing buildings. We have now critics have recently taken to the fine bu eliminated all these points by categorising buildings by post-removing the offices from above this or neo-that not surprising Avery Row.

be less work. There will be no the British at lower cost per project, and just because they will have to put more aid into each project they will be even more competitive on the ones they really want. The original need was that

everyone should be put on the same basis by calculating "real" concessionality (that is, by using the difference between the concessional interest rate offered to the borrower and the domestic interest rate of the lender rather than the artificial formulae which benefit low interest rate countries). Instead we have been led along this foolish path of increasing the

to the eye apply as well, there is nothing neo-Victorian in my

The final misconception is the very purpose of the shop-ping itself. It is suggested that

the shopping should go to Oxford Street or Brent Cross and that it is not particularly an attractive commercial pro-

The idea of the scheme is to join South Moulton Street to Bond Street by a shopping arcade. It is not difficult to see

the source of our scheme. A chain of very special shops runs

from Princess Arcade, Burling-ton Arcade, Bond Street, South Molton Street to Christopher's

Place. We would be providing

a much needed missing link to

a shopping pattern that is of

international importance. At the same time we have the opportunity to keep the existing

uses on the site and to restore

Frederick Gibberd Coombes &

82-84 St John Street EC1

Michael H. Coombes,

Partners,

position.

Artificial football pitches

to act to prevent closures and mergers. Yet in preventing them continuing to construct artificial pitches the League risks blocking off a promising route to financial stability for clubs of the lower divisions.

ally attractive first and foremost cause they almost guarantee that games can be played and thereby maintain the clubs' cashthereby maintain the cruos castiflow when it might otherwise
be interrupted through fixture
cancellations. No less important,
however, is the additional
revenue that can be earned from revenue that can be earned from the pitch by hiring it out for purposes as diverse as hockey. American football, or even a Sunday market. With floodlight-ing available, as it already is at League prounds the pitch has We are accused of "gobbling up whole areas of cities and spitting them out again as indigestible and unappetising lumps." What arrant nonsense, I have previously explained that 58 per cent of the existing buildings are kept and 23 of the 24 listed buildings are properly restored. League grounds, the pitch has a potential 10-12-hour revenue earning day. Moreover, the wider use of football grounds' facilities can only help to integrate them that their communications. grate them into their communi-ties, an ideal to which the League has long paid lip-service.

ail respects. Yet, no one who is familiar with the advances in due transformations, are increasing the design of artificial surfaces ingly recognising the urgent increase for hockey over the past 5-10 need for greater professionalism pass will doubt that this can be years will doubt that this can be achieved, especially with a achieved, especially with a recognising the urgent in business and management. The training and education industry catering for this expansional recognising the urgent in the professional recognising the urgent in the design of artificial surface. to aim for. By adopting a negative attitude from the outset, the League creates a self-fulfilling prophecy: "No market, no development work, no im-provement, no approval," etc. Artificial pitches are economic-Few would dispute that a good

grass pitch is still the best sur-face for football. Given the current financial uncertainty surrounding many clubs, how-ever, adopting artificial surfaces appears to be one acceptable compromise to maintain the League's rich diversity. It would be ironic if the anthorities' attitude were seen to push clubs into financial collapse making them easy prey for property developers. That surely is a

Grant Thornton Management Consultants, eague has long paid lipservice. Fairfax House,
There are still some technical Fuluood Place, WC1.

result that hardly anyone wants.

Potential for overseas sales From Mr S. Anderson.

Sir, - I read (March 10) with interest your article headed "Huge potential for overseas sales" but I believe it missed one of the key issues in success-

ful exporting.
Some companies are not performing abroad, particularly on the Continent, because they have made ill-considered decisions with regard to the appointment of agents and distributors. Too many small British comcompany appointed is unsuitable and difficult to change.

the fine buildings that front Bond Street, Brook Street and Your article refers to the survey done by the Small Business Research Trust which is indicative of the problem. Few British companies regard lauguage as a barrier because too many of 19 Stratford Place.

them think that a foreigner's ability to speak English is directly related to his commercial ability to do a good job for them. It also indicates that too few British companies understand the necessity of doing their commercial home-work on a foreign market (diswork on a coreign market (dis-tribution, pricing, competition etc), before mortgaging their future by appointing a repre-sentative who they later may have great difficulty in getting panies appoint the first candidate they come in contact with, only to find afterwards that the cies the time is now right for small British companies to be expanding their export activi-ties to the Continent.

Stuart Anderson, Pemberton Associates,

Funding for UK business schools economy. Yet just at the point ing on scandalous to find that From the Chairman, when this progress needs to be a London Business School press Business Graduates Association. when this progress needs to be a London Business School press Business Graduates Association.

From the Chairman,

Sir,—As you rightly mentioned in your editorial (March 11) the recent decision of the Uni-versity Grants Commission to reduce funding for UK business school education, particularly at London and Manchester, is a matter of considerable national

In the past few years there has been a significant expansion in UK management education at both undergraduate and post graduate levels. This new generation of professionally trained managers is increasingly From Mr S. Binning problems to be overcome before the characteristics of artificial the Football League wants the maximum possible number of clubs to survive and is prepared the design of artificial surfaces. The design of artificial surfaces in the design of artificial surfaces in the design of artificial surfaces. sion may be far from perfect but it has come a long way in the past 20 years. At last this effort is beginning to make a significant contribution to the regeneration of the British

UGC in its apparent wisdom appears to consider it is in the national interest to reduce fund-ing to two of the key management institutions in the country. Both London and Manchester Business Schools aiready have a significant and growing ele-ment of private sector funding but recent pressures could easily result in their efforts being used to educate a greater proportion of overseas managers.

Major reports on the future of management education in the UK, commissioned by the BIM and CBI, are expected in the next few months and what is needed is a thorough discussion of the objectives, strategy and priorities of the whole management education system before radical and, apparently almost instant, changes are undertaken in funding levels. Even if the Government doesn't want the public-sector funding to take the management educa-tion sector seriously, it should at least take the way it changes priorities seriously. It is verg-

"LBS was given no warning of :: the provisional funding alloca-tion and regards the reduction in funding as quite contrary to the UGC's encouragement over the past 12 months of a substantial expansion in student numbers." The only credible explanation

for the UGC's behaviour, and heavy handedness, appears to be that it is attempting to use training by example as a way of educating the business schools on how to operate in an uncertain and unpredictable world. On the other hand, there is now increasing evidence to support the argument that it is not only much more in the national interest for us to expand the resources going into the critical area of management education. but that urgent consideration should be given to finding places on some of these pro-grammes for the members of the UGC themselves.

Bruce Lloyd. 28, Margaret St, WI.

Effectively eradicating the tanker surplus

From Mr R. Shilleto

Sir.—I fear the Chamber of and expertise of the Channel shipping and other interested lobbies are spitting into a force of the channel mariners.

tragedy, it is worth considering in confined waters or those whether the possibility of good may not result from the contemplation of ever present risk.

The tanker surplus could be promptly and effectively eradi-Imagine the outcome of a collision in the Channel between

Shipping and other interested lobbies are spitting into a force of special consideration. Anyway, they are not tackling the basic problem which is one of over-supply. In bulk carriers a balance may be struck within 1987 or early in 1988; for tankers the outlook is bleeker, though not without thope.

In the light of the Zeebrusge tragedy, it is worth considering whether the mosthility of contact of the contac

Imagine the channel between collision in the Channel between one of the soon to be introduced or more either by mandatory represents one-eighteenth or superferries" and a fully loaded Very Large Crude Carrier of 250,000 tons capacity bound for Rotterdam. Thousands of passengers entombed or thrown into a raging sea of fire.

Little chance of any rescue.

That such an accident has not recurred to date is a tremendous licence to VIACS agest by mandatory represents one-eighteenth or fob cost per barrel and the oll comparies' habit is to raise prices in a high freight situation and pocket the difference in a low. He might also cross the Channel with fewer qualms. Rotterdam, West Germany and Internaft.

Rotterdam, West Germany and Internaft.

substantially higher freight levels and permitting ship-owners to re-invest in new and therefore safer tomage without The tanker surplus could be assistance from the Chancellor. The consumer would hardly cated by refusing a trading suffer more than usual at the licence to VLCCs aged 15 years petrol pump as freight today

north of the British Isles. No

VLCCs would be permitted closer than fifty miles to inhabi

TV time for the views of ordinary people

(March 11) has really come out of the closet. He wants TV to give more time to the views of ordinary "people — in order to ridicule them and expose them for their calculations are considered as a constant of the to ridicule them and expose started the for their odiousness and what is particularly right-wing 13 Bloemfontein Avenue, W12.

From Ruth Kelhom
Sir, — Christopher Dunkley
(March 11) has really come out

Television/Christopher Dunkley

Whacked round the head with a handbag

I am getting rather tired of television drama which is dedicated not to entertaining me but to wagging its finger at me. There should be, and indeed there is, plenty of space ou television for finger-wagging; documentary slots are quite suitable. Even there it would be dreadfully tedious if every programme was intent upon ticking us off for our male chauvinism, our failure to respect the environment, our blindness to the problems of the handicapped, and so on. But a reasonable admixture of such programmes seems acceptable.

The planet from disaster, television will be entitled to take much of the credit for having spread the Green revolution world-wide. Yet for that crucial aim to be achieved there will surely have to be a co-operative effort from all channels which will put the campaign on Aids (a rather less urgent subject) in the shade.

It is in the nature of humanity, however, that even in the shadow of Armageddon we cannot spend all our time being serious. In fact the closer we move towards the Apocalypse the more we need entertainment to divert us, and tradition-

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ITV's series Earth: The Shadow of Humanity has been taken to task for being too ready to lecture its audience. ready to lecture its sudience. Kirsty Milne writing in The Independent said: "If you are trying to sell environmental concern to a human audience, there is not a creat deal of mileage to be got out of presenting Man as the enemy and planetary predator number one the message is clear: Man's a disaster. It's all our fault."

But that surely, is precisely

But that, surely, is precisely the case that the producers want to make. My feelings on this subject were much affected by serving on the jury for the Wildscreen festival a couple of years ago when programme after programme showed scenes of deafforestation, animal slaughter and the steady reduction in the number of species.

it induced a feeling close to panie: if the creation of acid rain, the depredation of the animal kingdom, the felling and burning of the jungle (25 acres of tropical forest is being destroyed every minute, says The Shadow of Humanity) do not stop now we shall be too late. The agonising thought occurs: we sit here and watch all this in the UK, but is Brazilian telesion showing the same sort of says. in the UK, but is Brazilian tele-sion showing the same sort of thing to Brazilians? And any-way how can you expect slash-and-burn techniques to stop if they are a person's only means of survival?

the more we need entertainment to divert us, and traditionally drama has been one of our chief entertainments. But when you look at work such as Heart of the Country, Intimate Contact and She'll be Wearing Pink Pyjamas which have been shown in the past week on BBC2. ITV and C4 respectively it is difficult to believe that they were created with entertain-ment primarily in mind.

The most shamelessly transparent piece of propaganda is Intimate Contact, written by Alma Cullen and directed by Waris Hussein. With hind-sight it is easy to see that it was a disastrous mistake to start this series immediately after the television blitz on AIDS. So intense was our consciousness of the subject that we were all miles ahead of the plot, our patience at breaking The most shamelessly transplot, our patience at breaking point as Daniel Massey and Claire Bloom moved oh-so-slowly towards the moment of truth in the hospital. "It's AIDS, you dumb-dumb!" we were screaming at the screen.
"AIDS—the little blue one
with knobs on that looks like

When Massey finally mouthed the immortal (all right, mortal) line "I'm only going to say this once, it's AIDS, do you know what that is?" the bathos was awful. Did she know? After the previous fortnight how could anyone not locked in a time capsule not know? Yet this was presumably the result of bad luck with scheduling. Not so the script which is kit-Massey



Jimmy Nail and Brian Cox in "Shoot for the Sun"

More important and more distasteful is the way in which the series is so obviously part of the campaign to spread the the campaign to spread the wedded to the belief that if you wedded to the belief that if you the campaign to spread the belief that Aids is as much a threat to British heterosexuals as it is to those in central Africa or was to homosexuals in San Francisco when, in fact, the original property when the original property who arrives the original property of the original pro

Claire Bloom has to say "Whatever it is dash we'll face it is putting a bomb under that together" and even if that "dash" was actually silent it might just as well have been spoken.

More important and more districted in the screen.

want to convey a message to the public the best way is not merely to wag your finger at them, but to whack them round

The same sour attitude spread finger.

its taint through She'll Be Wearing Pink Pyjamas. "Im the wife of the headmaster of a preparatory school," said one woman, "I have three sons and the main emotion I feel towards all four of them is recontinent." all four of them is resentment." There is, of course, no reason why women in dramas should not make such remarks (though you can imagine the shrill keening from the feminists if anyone today dared say such things about women) but it is worse than disapointing when it turns out that that is all that an earther has a care

author has to say. No one expects them to be as good as Sophocles or Shake-speare, but perhaps they could be sent back to look at the works of the masters to see why they have lasted: their timelessness their universality, their compassion, their endeavour to embrace all humanity. Shake-speare had lessons to teach but he rarely needed to wag his

finger.

There has been one piece of television drama this week where the subject matter—the junkies and pushers of the Edinburgh under-life—could so easily have led to another civies lesson but resulted instead in a work which, while raw and bleak, was also shockingly powerful and sometimes moving. The reason was that in ing. The reason was that in Shoot for the Sun writer Peter McDougall was concerned not with propaganda but with being true to his characters and his subject

Though far from sentimental he takes a deeply compassionate view of those at the lowest level of society, and he seems to create his drama by climbing deep inside his characters and writing his way out. The method is the very antithesis of finger-wagging drama where charac-teristics are plastered higgledypiggledy on to cardboard cut-outs to serve the pedagogic needs of the writer.

In Shoot For The Sun director Ian Knox drew two mighty performances out of Jimmy Nail and Brian Cox as the smalltime heavies, and remarkable pathos out of Billy McColl and Sara Clee as the addicts. It is difficult to imagine a drama more likely to put you off heroin for ever-and not so much as a hint of a wagged

The Emperor/Theatre Upstairs

The haunted house of the Emperor's court in the final days of Halle Selassie is a room of grey doors, hatches, concealed corridors and stealthy conspirators in grey suits. This hypotic vision of a tyramy in decay is adapated by Michael Hastings and Jonathan Miller from the remarkable book The Emperor by the Polish foreign correspondent Rystard Kapuscinski, who tracked down and interviewed Selassie's surviving courtiers in the chaotic aftermath of the 1974 revolution.

The show follows exactly the remarkable to hom the stage and predatory compositions.

The physical wispiness and the princely of the prevailing imperial image to the comic image of plane-loads of "European Dimblies" flying in to raise a represented on the stage, a din about starvation. An outstandingly sleek and predatory quarter surround Shaban: the expensively bespectacled Hepton the prevailing imperial image imperial image of plane-loads of "European Dimblies" flying in to raise a represented on the stage, a din about starvation. An outstandingly sleek and predatory quarter surround Shaban: the expensively bespectacled Hepton the prevailing imperial image of plane-loads of "European Dimblies" flying in to raise a represented on the stage, a din about starvation. An outstage which seems to hum standingly sleek and predatory quarter surround Shaban: the princely Okon Jones, the anxiously bearded Ben Onwukwe and the elasticated, expressive Stefan Kallpha.

foreign correspondent Ryszard

Kapuscinski, who tracked down
and interviewed Selassie's surviving courtiers in the chaotic
aftermath of the 1974 revolution.

The show follows exactly the
narrative technique of the book,
the cast of five confiding details
of the Emperor's delicate profeed his lions, his benevolent
welcome of privileged supplicants, the various Hours of
Assignments, the Cash Box and,
as widespread poverty and starvation are reported through uncooperative foreign news
hounds, Development.
Each actor plays, fleetingly,
many roles but the impression
is not one of chaotic doubling
but of a calm and cumulative
choreography,
approach from all angles to seek

The Marriage of Panurge/Regent's College

Claire Armitstead

The Medieval Players are a strolling group whose name does not inhibit them from the does not inhibit them from the occasional ramble into the renaissance and beyond. In this case, their subject is Rabelais' Gargantua and Pantagruel in translation by Sir Thomas Urquart that has been so liberally updated by adaptor Julian Hilton and the gang that it is not above the odd passing reference to raids on the BBC.

Into The Marriage of Panurge reference to raids on the BBC.
Into The Marriage of Panurge have been stirred books two and three of Rabelais' masterpiece.
The Birth of Gargantua and the Payers' finances permitting, incorporating all five books into a vast Rabelaisian trilogy that will cour Britain and then Australia. But if it is vast, it will certainly not be weighty: aside from the somewhat ponderous programme note justification for "doing" Rabelais, this ship of

laughter on equal terms.

It is comedy that shoots from the cod-piece. Whether its peculiar brand of phallic jesting appeals or makes one squirm in one's seat, there is no denying the panache with which it is delivered under Carl ing appeals or makes one squirm in one's seat, there is no denying the panache with which it is delivered under Carl Heap's direction by the troupe of six multi-talented performers who simple instruments and

fools is simply the best quali-fied English group I know to tackle the master of popular laughter on equal terms.

The company that the statement adventures the statement adventures the statement adventures to set the statement adventure to set the statement adve

If I had a criticism it was that the jokes and visual gags sometimes came thicker and fas-

of Humanity is bad luck with scheduling. Not so the script which is kitched hong in the middle of peak clickes indicating too much sively find hours. At least televisation and to little to real life, ment is better than that of newspapers, and if ecological "Me and my team, against all consciousness does save us and the edds, we pulled it off!" Poor the same sour attitude spread to declare have a very comfortable middle of the same sour attitude spread to save us and the edds, we pulled it off!" Poor the same sour attitude spread to save us and the edds, we pulled it off!" Poor the same sour attitude spread to save us and the edds, we pulled it off!" Poor the same sour attitude spread to save us and the edds, we pulled it off!" Poor the same sour attitude spread to save us and the edds, we pulled it off!" Poor the same sour attitude spread to save us and the edds, we pulled it off!" Poor the same sour attitude spread to save us and the edds, we pulled it off!" Poor the same sour attitude spread to save us and the edds, we pulled it off!" Poor the same sour attitude spread to save us and the edds with scheduling. The finger wagging starts in the evidence points the other way. The finger wagging starts in the evidence points the other way. The finger wagging starts in the evidence points the other way. The finger wagging starts in the evidence points the other way. The finger wagging starts in the evidence points the other way. The finger wagging starts in the evidence points the other way. Repeatedly. Her message in this the promotion material: "What the end with the edd when the head with the edd when the head with the edd when the to character way. The finger wagging starts in the evidence points the other them, but to whack them round the head with when the edd with the evidence points the other way. The finger wagging starts in the evidence points the other way. The finger wagging starts in the evidence points the other way. The finger wagging starts in the promotion material: "What the point wag British musicals blast onto Broadway

As if to show just how dependent New York has become on Los Los London for its musicals, Stor-light Express and Los Mise-robles have opened on Broadway within three days of each other. They are the first major musicals since Me and Mg Girl in August and in one week provide the majority of musicals with the White House and the Vide with landmarks of cities, cows in fields and villages dot the three-level track, which is laid out with a track wife.

The subtler changes in Les wife.

The subtler changes in Les wife.

The subtler changes in August and in one week provide the majority of musicals for the whole of the season, which will not end until May.

The two openings also mark the prodigious feat of putting on two major productions simultaneously by director Trevor Nunn, set designer John Napier and lighting director David Hersey. And they have done far more than pick up a road show for the provinces, each production having undergone considerable modification and elabora-

shwin's extended stage area. But now three dimensional

able modification and enable tion. Starlight Express in particular looks like the difference between a home movie and a Hollywood extravaganza. If the United States cannot produce its United States cannot produce its United States cannot produce its own musicals, at least it challenges the British to go all out for American audiences.

The engineering marvel in The engineering marvel in London where the Victoria throughout the audience has throughout the audience has throughout the audience has been changed in New York to been changed in New York to confine the skating to the Gershwin's extended stage area. Shwin's extended stage area. But now three dimensional song to ensure chart action.

The more confined space has forced the set to use a steeply banked central skating area, which gave the cast some problems keeping their balance on the opening night, particularly in the evening. As actors, the ensemble of 41 retain the winning innocence that makes the high gloss and pyrotechnics which gave the cast some problems keeping their balance on the opening night, particularly in the evening. As actors, the ensemble of 41 retain the winning innocence that makes the high gloss and pyrotechnics which gave the cast some problems keeping their balance on the opening night, particularly in the evening. As actors, the ensemble of 41 retain the winning innocence that makes the high gloss and pyrotechnics which gave the cast some problems keeping their balance on the opening night, particularly in the evening. As actors, the ensemble of 41 retain the winning innocence that makes the high gloss and pyrotechnics which gave the cast to use a steeply banked central skating area, which gave the cast to use a steeply banked central skating area, which gave the cast to use a steeply banked central skating area, which gave the cast to use a steeply banked central skating area, which gave the cast to use a steeply banked central skating area, which gave the cast to use a steeply banked central skating area, which gave the cast to us

wno directed and anapted the work from the original French rock opera, fiesh out the characters with Valjean giving

spectacle of people desperately determined, despite the odds, to take their fate in their own take their fate in their own hands. Ruffelle's haunting voice schoes through the ancient walls in which she sings "On My Own" while Eponine's father and Valjean's criminal torturer, M. Thenardier, gets a robust comic interpretation by Radio 3.

Opera North's summer April 2 with Graham Vick's season includes the British April 2 with Graham

backdrop.

The songs have been reworked to sound more like characters with Valjean giving a complete confession of his a complete co

tends to skip the last two decades and rely on a tradition that is being revived at the New York City Opera (a new production of South Pacific is a case in point) while leaving Broadway bare. So if it is quite a week for the British it is sroadway bare. So if it is quite a week for the British, it is just as significant, if not more so, for removing the pall that has been covering Broadway lately.

Opera North's summer season

Opera North's summer The season itself begins on season includes the British April 2 with Graham Vick's

Frank Lipsius

Thatcher's Women/Tricycle, Kilburn **Antony Thorncroft**

"Thatcher's Women" is the name given by the King's Cross regulars to the girls from the north country who nip down to London for a quick bit of prostitution to pay off the bills, or to finance Christmas. Kay Adshead's first play for the Paines

Debra Gillett, as Lynda, comes a London tart, twice over, and Robin Soans and Jonathan Stratt, as a mob of mainly nasty men, are sharp.

No real feel of the murky side of prostitution—the drugs, the planes of the paines head's first play, for the Paines head's first play, for the Paines Plough Company, follows the fortunes of three such "mysteries," mixing professional know-how with poetic fantasy. It is an encouraging debut.

**The paines of three such along uneasily with the rub along uneasily with the rub along uneasily with the rub along uneasily with the inevitable bent cop is ravaged by foxes is surely a mistake, "hostesses" have to cope with the powerful characterisation, the committed acting, and debut. champagne lice as well as durinken boorish Boers, But the short sharp scenes keep the action moving, and the contributions of Amanda Symonds as

Of course, homely Marje, randy Norah and canny Lynda randy Norah and canny Lynda are all equipped with hearts of at least 14 carat gold and the expedition, forced upon them by redundancy at the pie factory, has more the feel of schoolgirls playing hookey rather than housewives after mooky, indeed Norah (Rachel Davies) gets no further than the King's Cross buffet, where love fickers ironically over the coffee cups.

coffee cups.

Marjorie Yates, as Marje,
combines catatonic lethargy in public with free flowing mono-logues about cotton mills and foxes when she gets the stage to herself. Working Streatham Common, she becomes ob-sessed with the persecuted foxes: there are probably some metaphors to be drawn. Only

March 13-19

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INTERNATIONAL PROPERTY REVIEW THE FT EVERY FRIDAY

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednes-day. Exhibitions/Trursday. A selective guide to all the Arts appears each Friday.

Theatre **NETHERLANDS**

Amsterdam, Bellevue Theatre. The English-speaking Theatre company presents Berbarians by Barrie Keefle, a trilogy of short plays tracing the fortunes of three school-leavers, two white and one black (Tue to Thur). (247245).

LONDON

Les Liainers Dangereuses (Ambassa-durs): Christopher Hampton's mas-terly version of Laclos' epistolary novel is saxy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's selland on Sace. However Devices sele-out pre-Revolutionary production for the BSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 8111, CC 836 1171). Misalliance (Barbican): Rarely seen

Shaw, and a much underrated play, given the full ESC works by John Caird, a Pollah new woman crashing caro, a rouse new somm crasming into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Speciacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the ro-mance in Leroux's 1911 novel. Hapmance in Leadurs 1911 novel risp-pens in a wonderful Paris Opera-ambience designed by Maria Bjorn-son. Hal Prince's alert, affectionate production contains a superb cen-tral performance by Michael Craw-

ford. A new, meritorieus and pal-pable hit. (839 2244, CC 379 6131/240 7200).

Worsan in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but finnty, hailed in some quarters as vanguard feminist drama; he not put off by that. (33 9987/545).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Mer-rick's tap-dancing extravaganza has (838 8108).

Lores's last tragedy in a successful production transferred to the West End from Hammersmith. Nuria Espert, veteren Spanisch actress/director, has drilled a high-calibre cost led by Clerke Insteam and Incast led by Glenda Jackson and Joan Plowright into a near-authe portrayal of steam frustration in an all-female bousehold oppressed by both traditional catholicism and the

peasant class system. Ultimately it's all a hit British, but the company provides a roll-call of some of the hest actresses around - all eclipsed by the ineffably touching Julie Legrand. (437 1592).

Startight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskat-ing folly has 10 minutes of Spielberg ing folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Dis-neyland, Star Wars and Cats are all influences. Pastiche some nods to-wards rock, country and hot gospel.

Cats (Winter Garden): Still a sellout, Trever Nuon's production of T.S. Eliot's children's poetry set to trendy music is visually starting and choreographically feline, but classic only in the sense of a rather staid rblows idea of theatric and overbl (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Bruadway in the "80s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorns line. (977 9020). A Chorus Line (Shubert): The longest

running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions.

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to cap-ture the feel of the sweet and hilarious original between high-kicking and gaudy chorus (757 2626).

rm Not Reparent (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popu-larity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match.

No child is known to have asked for his money back. (834 6184).

NEW YORK

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Husk Finn's adventures down the Husk sizeppi, which walked off with many 1965 Tony awards almost by defeat (246,029).

The Mystery of Edwin Drood (Imper-al): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music hall tunes where the audience picks an ending. (239 6200).

CHECAGO

Pump Boys and Dineties (Apollo Cen-ter): Facetions look at country music and down-home country life with a good best and some memorable songs, especially one played on kit-chen utensils has proved to be a dirable Chicago hit. (985 6100). She Ahrays Said, Pablo (Goodman):

The company's associate director, Frank Galati, created this pastiche of music by Virgil Thomson and Igor Stravinsky with words by Ger-trude Stein and visuals by Pahlo Picasso. Performed by 11 actors, the work features Picasso's Minotaur as well as Picasso, Stein and Alice B. Tokias, Ends April 4 (4433800)

WASHINGTON

Citizen Tom Paine (Eisenhower): Richard Thomas stars in popular his-torian Howard Fast's look at the Thefford-born American radical's rise and fall to obscurity, in between the fame brought by Common Sense, Ends April 12, Kennedy Center (254 3870).

monics.

It would be quite possible to treat these short numbers as studies, since each incorporates difficulties in the manner of an exercise, but technique alone has never been of much interest to Tortelier. Instead they came to life as individual portraits,

mercurial sensitivity or its ability to change, chameleon-like, in character almost from phrase to phrase. The many quizzical expressions as he plays

His own music-for Tortelier

is a composer as well as per-former—exploits this to the full.
This recital at the Barbican on

tell the same story.

to Tortelier. Instead they came to life as individual portraits, helped by the maestro's quaint spoken introductions, and

This recital at the Barbican on Monday included one of his latest pieces, a highly descriptive composition entitled Mon. Cirque, in which the cellist parades a naive and witty little series of vignettes: "L'hypnositeur" with his staring expression or "Paillettes," the scantily-clad girls on a high wire skipping across the strings with delicately touched-in harmonics. Transcriptions of popular favourites followed. The Intermezzo from Granados's Goyes-cus and Zapateado by Sarasate, a showpiece originally meant for violin, brought the printed

The rest of the programme

included a poorly-tuned Boc-cherini sonata and a pointed quicksilver account of Debussy's

Cello Sonata which parted com-

pany once or twice from Geoffrey Pratiey's sterling accompaniment. Perhaps the

most engrossing item was
Bach's Third Suite for solo
cello, its "Courante" touching

in different shades of tone with the side of the bow and the "Bourée" bringing great freedom of expression to a simple solo line.

Saleroom/Antony Thorncroft

Tortelier/Barbican Hall

Richard Fairman

Now in his 73rd year, the sported a range of dazzling cellist Paul Torteker is as vivid characteristics, colours and

cellist Paul Tortelier is as vivid characteristics, colours and a stage personality as ever. His expression, that belied their lack

playing has lost none of its of real musical substance.

Sotheby's cleared out the maler" armorial silver gilt remaining contents of Sutton mounted coffee pot and cover Place in Surrey yesterday. This erstwhile home of the late J. Paul Getty is now owned by another American millionaire, Mr Fred Koch, who will house his fine collection of Victorian pictures there.

Among the pictures sold yesterday was a portrait of Lord and Lady Abergavenny, painted in the late 16th century, which just about trebled its forecast at £21,450. A portrait of a lady, dated 1558 and attributed to Hans Eworth, made £19,250.

The auction took place in Billingshurst. Back in Bond

by Abraham Seuter, made £41,800 as against an £18,000 top estimate.

Among the early ceramics, a

Sienna wet drug jar, dated 1501, was just within its top estimate at £39,600. It sold to the Munich dealer A. Moatti who also acquired a similar for £35,200. Two other examples of this form are in the British Museum. A Berlin presentation vase of 1832, with a view of Berlin, made £22,000. At Christie's a fine enamel by

Henry Bone, produced in 1823. and based on an Holbein por trait of King Henry VIII, sold Street Sotheby's brought in for £52,800 as against a top £675,175 from continental pot- estimate of £12,000. It was well tery and porcelain, with 12 per regarded in its day and sold cent unsold. A Bottger "Haus-

Central aim of financial strategy is to reduce money growth

Mr Nigel Lawson, presenting his Budget yesterday, said that he expected 1987 to be a year of balanced growth with low inflation. But he cautioned that despite a strong growth in expors it would take time for the full effect of the exchange rate adjustment

We are now entering our seventh successive year of steady growth, and the fifth in which this has been combined with low inflation.

The public finances are sound and strong, and unemployment is falling.

These are the fruits of the Government's determination, in bad times as well as good, to hold firmly to our policies of sound money and free markets. Once again, I reaffirm those

I shall begin, as usual, by reviewing the economic back-ground to the Budget I shall then turn to monetary policy and to the fiscal outlook this year and next.

Finally, I shall propose some changes in taxation designed to improve still further the pros-pects that lie before us. A number of press releases, filling out the details of my pro-

posals, will be available from the Vote Office as soon as I have sat down.

I start with the economic background.

eighty-six dominated by the sudden collapse of the oil price. Our own economy was affected not only directly, as a major oil producer and exporter, but also by the pause in world growth as the world economy adjusted to what has been described as

the third oil shock. Despite this dislocation, however, the economy has developed in most respects as I foreshadowed a year ago. In 1986 as a whole output

grew by a further 2½ per cent or so, which compares well with the experience of other industrialised countries. It is worth recalling that

during the 1960s, and again in the 1970s, Britain's growth rate was the lowest of all the major

Growth improved as inflation fell

By contrast, during the 1980s, our growth rate has been the highest of all the major Euro-

And this greatly improved growth performance has been accompanied by falling inflation, which at 31 per cent in 1986 reached the lowest figure for almost 20 years. Over the life-time of this Parliament, inflation has averaged less than

During the first half of last year exports and hence output world growth to which I have already referred. But since the middle of the year exports have grown strongly. Indeed, over the last three months the volume of exports of manufactures was 6 per cent higher than a year earlier—a better per-formance than that of any other major economy.

This pattern was reflected in the rapid growth of manufac-turing output in the second half of last year.

This resurgence of economic

growth, coupled with the special measures we have taken, has brought about a welcome fall in the number of people out of work. Since July unemployment has fallen by more than 100,000; the largest six-monthly fall cites. 1072 fall since 1973. Though the numbers out of work are still far too high, both youth unemployment and long-term unemployment are now lower than they were a year ago. I announced a number of

specific employment measures in my last Budget, and since then, my Rt Hon and Noble Friend the Secretary of State for Employment has further extended the Restart pro-gramme for the long-term unemployed.

There will also be more places on the Enterprise Allowance Scheme, and the number of Jobclubs is to be quadrupled. The new Job Training Scheme will eventually give a 1m people, most of them youngsters, vocational training leading to recognised qualifica-

Rate of growth of output With these and other

measures, this Government has developed its employment and training programmes on a scale which no other country can match. But the best hope of all for the unemployed is in the continuing vigour of the

economy.
Since the early months of last year, there has been a further surge in manufacturing productivity. This continues the remarkable improvement in productivity growth achieved by British industry throughout

the 1980s.

During the 1960s, and again in the 1970s, growth in manufacturing productivity in the UK was the lowest of all the seven major industrial countries in the world. During the 1980s, our annual rate of growth of output per head in manufacturing has been the highest of all the seven major industrial

The setting for this year's into deficit in 1986 by around Budget is more favourable than £1bn. This followed a cumulative current account surplus of ome £20bn between 1979 and

> Some deterioration in the current account was inevitable in the face of a £4bn loss of earnings on oil trade virtually overnight. But the significance of this should not be exaggerated. The exchange rate adjustment that followed the fall in the oil price is already contributing to an improved non-oil trade performance.

And earnings from the mas-sive stock of net overseas essets we have acquired since 1979 will provide a continuing support to the current account in the years ahead. At well over £100bn, our net overseas assets are now greater than at any time since the [Second World] War, and second only to those

Balanced growth and low inflation

Looking ahead, I expect 1987 to be another year of balanced growth with low inflation. Total output is forecast to rise by 3 per cent, with exports and investment up by rather more

By then we will have registered the longest period of steady growth, at a rate approaching 3 per cent a year, that the British economy has known since the War. Manufacturing industry, in particular, should do well in 1987.
And with the non-oil economy

set to grow at 3½ per cent, there is every prospect of unemployment continuing to fall throughout the year. In last year's Budget speech

I said that the outlook for jobs depended on a sustained improvement in the performance of business and industry. sustained improvement in economic performance is now well under way. Despite the strong growth in exports, it will inevitably take time for the full effect of the

work through. The current account is thus likely to remain in deficit this year, by some £2.5bn, around

exchange rate adjustment to

half of 1 per ceut of GDP.

As I foreshadowed in the
Autumn Statement, inflation may continue to edge up for a may continue to edge up for a time, perhaps exceeding 4½ per cent by the summer, before failing back to 4 per cent by the end of the year.

major economies and my budget last year, faced with a massive loss of what now looks to be almost £700 of North Sea oil revenue, I none the less desided to held the DEED for Imbalances in

While short-term fluctuations are inescapable, it remains the per cent of GDP. Government's prime objective to keep fofiation on an underlying downward trend.

Given the continuation of present policies in this country, the biggest risk to the excellent prospect I have outlined is that of a downturn in the world

economy as a whole.

There are still serious imbalances afflicting the three major economies—the United States on the one hand and Japan and Germany on the

The best hope of all for the unemployed is in the continuing vigour of the economy. Since early last year, manufacturing productivity has surged

other—which, if not handled properly, could lead to a simultaneous downturn in all And this in turn could be exaggerated by renewed tur-moil in the foreign exchange markets, whose tendency to overs', oot is as notorious as it is damaging.

dangers that the finance ministers and central bank governors of six major nations met in Paris last month, and agreed among other things to co-operate closely in fostering a period of exchange rate stability.

In my Budget speech last year, I said: "Provided we are not over-ambitious, I believe that the Plaza accord is something we can usefully build

done, with Plaza II. But it would be idle to deny that the

Reducing growth of money GDP

Short of a world downturn, British industry now has an outstanding opportunity, with growing markets at home and overseas, low inflation, rapidly growing productivity and greatly improved profitability. Provided it can control its costs and maintain its present

competitive advantage, and assuming the continuation of present policies, we can look forward to many more years of strong growth combined with low inflation.

For its part, the Government countries.

The first part, the Government f4bh.

Countries.

The recorded current account prudent financial framework, of the balance of payments went.

The recorded current account prudent financial framework, diminishes the scope I have this now that the main rate of corhizolities in existing fields, year for reducing the burden poration tax in 1987-98 will be until such time as the income

OUR FLAMBOYANT Chancellor can still pull in a capacity audience even when the outlines of his Budget have been well rehearsed and extensively discussed by the pundits for weeks in advance. A few minutes before Mr Lawson rose to give his annual performance Tory MP Tim Smith provoked considerable hilarity when he leaned over from the members' gallery above thet chamber to

The Speaker, Bernard Weatherill, quelled the mirth by explaining that he had called Mr Smith because he had been unable to find a seat in the chamber. Mr Baker, craning his neck to see the distant figure in the gallery, amighly declared that it was amiably declared that it was very nice to receive good

The central objective of the MTFS is gradually to reduce

monetary policy must remain short-term interest rates. These

will continue to be set in the light of monetary conditions as

indicated principally by the growth of narrow and broad money and by the behaviour of

No explicit target

for broad money

For narrow money, Mo, the target range for next year will be 2 to 6 per cent, as fore-shadowed in last year's MTFS. For broad money, however, as

an explicit target altogether. But broad money will con-

In my Budget last year, faced

decided to hold the PSBR f

second successive year of signifi-

rounding oil prices, and I have therefore stuck to the assump-

tion I made last year that the North Sea oil price will average

But it is clear that the

puts the public finances in a

very strong position.

I intend to keep it that

Degree of

fiscal prudence

Last year's MTFS indicated a PSBR for 1987-88 of 27bn, or 11 per cent of GDP; and, as the House will recall, I gave an

assurance at the time of the

Autumn Statement, when I announced a £41bn increase in

planned public expenditure in 1987-88, that on no account would I exceed that figure. Indeed, I believe it is right to go below it.

Since its inception in 1980, the MTFS has indicated a steadily-declining path for the PSBR expressed as a percentage

of GDP. We have now reached what I

judge to be its appropriate destination: a PSBR of 1 per

there over the years ahead. This will maintain a degree of fiscal prudence that, until this year,

had been achieved on only two

Accordingly, I have decided to provide a PSBR in 1987-88 of

occasions since 1950.

My aim will be to keep it

cent of GDP.

cant undershoot.

sector in particular.

achieve price stability.

sector borrowing.

put a question to Kenneth Baker, the Education Secre-

Parliamentary sketch Chancellor continued with his advice from on high. glowing preamble.

As Mr Lawson got up at the despatch box the sunshine streamed in through the windows symbolically illuminating the man who-according to excited speculagold on a grateful electorate.

In an instant reaction to t he short Budget speech, Nell Kinnock, the Labour Party leader, ironically dubbed him "lucky Lawson" hastily adding that his Budget policies were tough luck on the British public.

As usual, Nigel did not indulge in false modesty. The setting for the Budget was more favourable than for many years . . . seventh year of steady growth . . . public finances sound and strong unemployment falling.

with a good grace dest. e the glowering of some of the leftwingers behind them who 1980, the medium-term financial of taxation, which of course remains a major objective of Government policy. But I am sure it is right to err on the side of prudence and caution,

the growth of money GDP over the medium term, so as to squeeze inflation out of the system and utilizity to and to build a still firmer base for the future. That is the principle on which both I and my predecessor have consistently conducted economic This requires monetary discipolicy these past eight years, and I see no reason to depart pline buttressed by low public-The essential instrument of

Seventh year of steady growth

Meanwhile, I would make one further observation, of a different nature. Economic arguments are seldom concluded, one way or the other. This is chiefly because it is unusual for economic policies to be held in place long enough to provide sufficient evidence. But the 1980s have been different; and, as a result, one critically important economic argument has now been concluded, finally and decisively.

the Governor of the Bank of England cogently argued in his Throughout our period of Loughborough lecture last October, it is probably wiser in office, our critics have consistently maintained not only that current circumstances to eschew a fiscal stimulus would produce real economic growth, but that without an expansionary fiscal policy sustained growth was tinue to be taken into account in assessing monetary conditions, as of course will the exchange

They were wrong, and they have been proved wrong.

The British economy is now embarking on its seventh successive year of steady growth, at an average rate of getting on for 3 per cent a year. I mentioned a moment ago the I mentioned a moment ago the need to keep public sector borrowing low. The final outturn for the public sector borrowing requirement last year, 1985-86; was just under £6bn, equivalent to 1½ per cent of GDP, the lowest level since 1970-71.

Expansionism well ignored

And during that time the system to amounce. PSBR, even if privatisation proceeds are added back, has established before 1 this year, 1986-87, to £7bn, or 11 In the event, this year's PSBR looks like turning out at only son, or I per cent of GDP: the been deliberately and steadily reduced from a shade under 6 per cent of GDP to a little over 2 per cent. Indeed, had I This successful outcome is or my predecessor at any time chiefly attributable to the heeded the advice of our remarkable buoyancy of non-oil so-called expansionist critics, tax revenues in general and of the British economy would the corporation tax paid by an never have been in the unprecedent in the corporation tax paid by an every have been in the unprecedent in the corporation tax paid by an every have been in the unprecedent in the corporation tax paid by an every have been in the unprecedent the corporation tax paid by an dently favourable position it is increasingly profitable business in today.

Before I turn to my proposals

a degree of uncertainty sur-for changes in taxation, I have one other change of a specific nature to announce. In 1979, a few months after

the present Government had first taken office, my pre-decessor announced the abolition of exchange controls, which had been in continuous operation ever since the outbreak of war in 1939. That bold action has, over the

past 71 years, proved wholly beneficial to the British economy; and I am glad to note that other European countries are now moving in the same But the Exchange Control

But it is clear that the increased flow of non-oil tax. Act remains on the statute revenues, coupled with the book. The time has come to prospective further growth of repeal it.

The necessary legislation this year's the economy in excess of the The necessary legislation growth of public expenditure, will be contained in this year's

will be contained in this year's Finance Bill.

I note that, in what was clearly intended to be a major speech in New York in September, the Deputy Leader of the Labour Party declared that, and I quote: "The Labour Party has no intention of reintroducing thinten archives controls." statutory exchange controls."

I am confident, therefore, that the proposal I have just made will be welcomed on all sides of

I now turn to taxation.
First, taxes on business. The
fundamental reform of the corporation tax system which I introduced in 1984 came fully into effect last April. The new system has un-doubtedly improved the quality

of investment decisions in Britain and is also encouraging more overseas companies to set un here. During the transition to the new system, companies were given advance notice of the main rate of corporation tax for the year ahead.

Corporation tax to stay at 35%

unchanged at 35 per cent — lower than in any other major industrial nation, although the US is now set to emulate us. The low rate of corporation tax enables me to introduce a further simplification into the system. At present, while com-panies' capital gains are liable to corporation tax, the amount of such gains is first adjusted by a certain fraction so that the effective rate of tax is the same

There was also the deft

verbal conjuring that we have

come to expect from Mr Lawson. The time had come to repeal the Exchange Con-trol Act and the necessary legislation would be contained

He then went on to needle the Opposition by recalling that Roy Hattersley, Labour's

shadow Chancellor and deputy leader, had said in New York

last September that his party

had no intention of reintro-ducing statutory exchange controls. Therefore he was confident that his proposal

would be welcome on all sides

Those on Labour's front bench had to accept this coup

in the Finance Bill,

of the House.

individuals. This dates back to the time when the two rates of tax were far apart. This is no longer the case: indeed, the corporation tax rate for small companies is now below the capital gains tax

s that on capital gains made by

Tax changes for capital gains

I therefore propose that, from today, companies' capital gains be charged at the appropriate corporation tax rate, without adjustment, save for the indexa-tion which applies to all post-1982 gains. Hitherto, companies have not

been allowed to set payments of advance corporation tax (ACT) against their liability to tax on capital gains. This means that, where companies distribute capital gains as dividends. the gains are in effect taxed twice, once in the hands of the company and once in the hands of the shareholder.

against tax on capital gains.

Taken together, these changes should yield £60m in 1988-89.

But an employer who is willing to finance the retraining of I also have some further

At present, some companies established before 1965 do not have to pay their corporation tax until up to 21 months after the end of the period for which it is due, whereas companies established since 1965 have to pay their tax after nine months and some building societies have to pay sooner still.

This difference in treatment cannot be justified. Moreover,

it is open to an abuse which could put the timing of a substantial proportion of the total corporation tax yield at risk. I therefore propose that all companies and building societies should be treated the same way with all liable to pay corpora-tion tax nine months after the

end of the accounting period on which the tax is due. The change will be phased in but I would expect it to yield

around £100m in 1988-89.
While business and industry as a whole are doing well, the North Sea oil sector has inevitably been hard hit by last year's oil-price collapse.

My Rt Hon friend the Secretary of State for Energy and I have followed closely the effects on North Sea producers and

their suppliers. The industry is late in paying his bills: so itself is generally confident late, sometimes, that VAT about the longer-term pros- becomes due before the bill has pects; while as for the tax been paid.

system, not only is it inherently price-sensitive, but the com-panies themselves have repeatedly stressed their desire for stability. New reliefs for

N Sea producers However, in the light of the immediate problems, I introduced legislation last autumn to bring forward the repayment of

over \$300m of advance petro-leum revenue tax. This has already helped many of the smaller and medium-sized companies faced with cashflow difficulties.

I now propose two further This helped them in their petroleum revenue tax reliefs. forward planning, and I in-tend as far as possible to con-may elect to have up 10 per tinue the practice of setting cent of the costs of developing the rate in advance. certain new fields set against

been paid.
I can do nothing about late payment; but I can, I hope, do something about the VAT problem.

My first and most important proposal, therefore, is that, as from October I businesses whose annual turnover is under £1m, which means more than half of all traders registered for VAT, will be able to choose to account for VAT on the baris of tash paid and

in other words, they will have no liability to pay VAT until they themselves have received the money from their

customers.

In addition to easing the cash flow problems caused by late payers, this system will of course provide automatic VAT relief for bad debts. I have to warn the House however, that I cannot legally introduce this change without first obtaining a derogation from the Juropean Community's Sixth VAT Directive.

I am applying for the

would love nothing bette than another dose of strict exchange control.

However, the Chancellor's reputation as a master of presentation at the despatch box took rather a deat when he became bogged down in some arcane passages dealing with taxes on business.

vita trees on tousiness. It seemed that he had mis-laid part of his brief and, after a moment of confusion and hesitation, his PPS, Peter Lilley, went racing off to the loyal Treasury officials who sit in a box in the corner of the chamber ever ready to give a

prompt to their masters.

There was great merriment on the Labour benches at this. Mr Lawson, looking very irritated, waved to Mr Lilley to desist, whereupon the PPS bettle set down and did his hastily sat down and did his best to look inconspicuous.

John Hunt

of those new fields exceeds the costs incurred.
Second, there will be a new relief against PRT for spending on research into UK oil extraction that in the cost of tion that is not related to any I believe that these carefully

targeted changes will give a worthwhile measure of relief to the North Sea oil sector. Last year I put the Business Expansion Scheme on to a permanent footing. However, the present rules still produce too end-year bunching of BES investments, and hence may crowd out some projects and lead to bad decisions on

I propose therefore to permit someone who invests in the first half of the year to claim part of the relief against his previous year's income. This will make it easier for companies to raise BES finance throughout the year.

I have to set the 1988-89 car and fuel benefit scales for those with company cars. The car scale charges still fall well short of the true value of the benefit, and as last year I pro-pose to increase them by 10 per There will be no change in

the fuel scales which, as already annou ed, will also be used for VAT purposes from April 6. Training and retraining are vital to a flexible and competi-tive economy. [Interruption].

At present, training financed by an employer that is related I propose that, under the new to the employee's current job is system, companies should be allowable against tax for the able to set ACT payments employer and imposes no tax

workers for future employment simplification and rationalisa- elsewhere may find that the cost tion of the corporation tax of this is not allowable against tax, and the employee may find that he has received a taxable benefit. I propose to remove both these obstacles.

This should help more workers to acquire new skills for new jobs.

Tax relief for retraining

The past few years have seen a remarkable and welcome growth in the number of small and the selfemployed.

The Government has done a great deal to lighten the burdens on this vitally important sector of the economy. But I am well aware that problems remain, not least in the field of VAT.

Accordingly, I asked Customs and Excise to issue a consultative document last autumn canvassing a number of changes.
In the light of the responses

to that document, I have four proposals to make. Perhaps the biggest problem faced by the small businessman today is the trade customer who

Small businesses will have the option of accounting for value-added tax annually instead of quarterly, filing a single return at the end of the

for small business Second, I propose to give these businesses the option of accounting for VAT on an annual basis. Instead of making quarterly returns, they would make regular payments on account, and then file a single return at the end of the year.

suggested in the consultative document,

VAT rules eased

This option, which offers considerable streamlining, will be available next year. Third, the period within which businesses must apply to be registered for VAT will be extended from 10 to 30 days.

Fourth, there will be changes to the rules for the special VAT schemes for retailers, and more small and medium-sized businesses will be able to make use of the simpler schemes.

I believe that the changes I have outlined, and in particular the option to move to cash accounting, will be widely welcomed by the small business community. The cost will be £115m in 1987-88 and £60m in

VAT threshold to be raised

In addition, I propose to increase the VAT threshold to £21,300, to keep it at the maximum permitted under existing European Community law.
In the light of the responses to the consultative document, I shall not be going ahead either with the withdrawal of the so-called standard method by which retailers calculate their gross taking for VAT, or with the compulsory deregistration of traders below the VAT threshold.

help the small businessman, unrelated to VAT.

I propose to increase the limit for capital gains tax retire-

The Chancellor sets off from 11 Downing Street for the

Commons with his wife Therese watched from an upstairs window by their daughter Emily.

In any ongoing programme of tax reduction and reform, where much still remains to be done, an essential element must al-ways be the elimination of imintended or unjustified tax breaks, which cause rates of tax generally to be higher than they need to be. Accordingly I have five pro-posals to make today to that

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The first concerns VAT, and has already been the subject of extensive consulation. The House will be aware that

a business that provides a service that is exempt from VAT cannot in turn deduct input tax on its purchases.

But where the activities of a purchase are in activities. business are in part liable to VAT and in part exempt, the existing rules are excessively generous as to the amount of input tax that can be deducted; and this generosity is being

VAT avoidance to be checked

exploited on a growing scale.

The rules must therefore be

The rules must therefore be changed, and the changes, which I proposed to the House last. December, will come into effect on April 1.

There will be special arrangements to deal with the problem of hrewers tied houses.

I am also taking this opportunity to exclude a significant number of small businesses from the scope of this provision.

The yield from this change The yield from this change will be some £300m in 1987-68 and £400m in 1988-89. sad £400m in 1988-89.
Second, I propose to change the law so that companies in multinational groups which enjoy dual residence will no longer be able to secure tax relief twice on one and the same interest payment.

Genuine trading companies will not be affected. This change, which will take effect on April 1, follows the similar action I have one further measure to recently taken by the US. It will still businessman, un-will yield £125m in 1988-89.

Continued on

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previous page

Third, I propose to end the present excessively generous treatment of tax credit relief for foreign withholding tax paid on interest on bank loans. In foreign, banks will be able to offset that on the profit on the relevant loan, and not more widely.

This will bring our rules broady into line with those in most other countries. The change will sophy from April 1 this year for new loans and from April 1 heat year for existing loans. It will yield some 23cm in 1985-88,

Fourth, the tax treatment of Lloyd's syndicates as it applies to the Reinsurance to Close a number of important new measures to that end, and the tax changes I am announcing

Revenue to consult urgently with Lloyd's about the details of the legislation. The new rules will first apply to premiums payable for the Lloyd's account which closes on December 31 this year. ber 31 this year.

Fifth, I propose to implement the Keith Committee's recom-

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Pay flexibility vital for jobs

Pirat, the workforce would have a more direct personal fu-terest in the profits earned by the firm or unit in which they the firm or unit in which they work; and, second, there would be a greater degree of pay fambility in the face of of changing market conditions. Such flexibility is vital if, as a nation, we are to defeat the securing of magnificant a great paper on profit-minted a great requirement.

Last July 1 presented a great paper on profit-minted pay in conjunction with my Bt Hon command Noble Priend the Securetary Small

confinction with my sq man commenced strength and Noble Friend the Secretary final salary scheme, and And there will of State for Employment and my Rt Hon Friend the Secre-

floated in the green paper.

My proposals depart from those in the green paper in one important respect. I am doubling the proportion of an employee's profit-related pay that will be tax free from a quarter to a half, and I am also increasing the upper limits on the relief, So for a married man the relief, So for a married man on average earnings receiving 5 per cent of his pay in profit-related form, the tax relief will be equivalent to a penny off the basic rate of income tax.

The cost will inevitably depend on take-up: it could be £50m in 1988-89, building up to substantially more than that

to substantially more than that, as take-up grows, and as the proportion of an employee's pay which is profit-related rises.

Challenge to management

Profit-related pay is no pana-cea. But then there are no panaceas. What it is is a tool to help British business gradually to overcome one of our biggest national handleaps: the nature and behaviour of our labour

market.

I am today challenging
British management to take
advantage of that tool and to
make good use of it, for the
good of their firm, their workfows and their country. force and their country.

I turn now to the taxation of

A central theme and purpose of the Government's policies is the creation of a genuine popular capitalism. That means wider home ownership, wider share ownership, and wider

pension ownership.

Over the past eight years, the Over the past eight years, the Government has actively promoted the first two, and has now embarked on the third. Home ownership, above all through the council tenant's right to buy; and share ownership, through the rapid growth of employee share schemes; I through the massively successions or privatisation programme, or ful privatisation programme, where Britain has led the world; and most recently through the new personal equity plans, which I announced in last year's Budget and which started up on

January 1 this year.
In the first months of the scheme, more than 2,000 people a day took out personal equity plans, many of them first-time investors, as I had hoped. We know that 63 per cent of households now own their own bomes, 21m more than in 1979. However, there have been no official figures for the more explosive growth of share ownership in Britain over the past eight years. The Treasury and the Stock

Exchange therefore jointly commissioned a major independent survey of individual share-holding in Britain. The results

are now available.

They show that there are now some Sim individual share-bolders in this country-amounting to one fifth of the total adult population, and roughly three times the number there were in 1979.

And then there is wider pension ownership.

Two years ago, the Government embarked on a major strategy to extend the coverage of private pension provision and to give individuals far more flexibility and choice in the way they provide for their retirement.

measures to that end, and the tax changes I am announcing today will complete the picture. The cornerstone of the Government I therefore propose to bring it into line with that of provisions for putsianding liabilities made by ardinary insurance companies and indeed of compa

State for Social Services.

This is the personal pension, which will be launched at the beginning of next year, three months earlier than planned. Personal pensions are an important new dimension of mership.

Fifth, I propose to implement the Keith Committee's recommendation that interest should be charged in the limited number of cases where an employer and a formal assessment has in he made to recover the tax.

This change will take effect from April next year, and the yield in 1988-89 is estimated at fasts.

I have one further proposal to make in the broad field of business and tax.

In my Budget last year I suggested the possibility of introducing a measure of tax relief for profit related pay.

I pointed then to two coasiderable advantages that might be expected to flow from arrangements which relate pay to profits.

Ownership.

They will enable employees their own arrangements, tailored to fit their own arrangements They will enable employees

this year's Finance Bill,
In addition, to encourage a
wider spread of occupational
schemes, employers will be able
to set up simplified schemes
with the minimum of red tape.
This will be particularly welcome to many small employers
who have been discouraged by
the complexity and open-ended



Mr Nigel Lawson, the Chancellor, with his Treasury ministerial team—front right, Mr John MacGregor, Chief Secretary. (Back row from left): Mr Peter Brooke, Minister of State; Mr Norman Lamont, Financial Secretary; Mr Ian Stewart, Economic Secretary

that provise is estimated at £65m in 1988-89. For friendly societies, I have decided to replace the existing tax-exempt life-assurance limit based on the sum assured with a new limit based on annual premiums. I propose to set this at £100 a year, which will greatly increase the scope for the traditional societies to offer life policies to their members.

The tax exempt limits govern-ing sickness and accident bene-fits which trade unions provide for their members have not been changed since 1982. With effect from today. I propose to increase them to £3,000 for hump sums and £525 for annui-

threshold for inheritance tax, from £71,000 to £90,000, coupled with a simplification of the rate structure from seven rates to four, As a result of this change,

Finally, in this section, I turn to inheritance tax. In my Budget last year I

I now turn to the taxation of Profit-related pay is a tool to help business to overcome one of Britain's biggest national handi-

VAT this year, However, in the light of representations I have received. I have decided to extend slightly the VAT reliefs I introduced charitable work.

drugs and chemicals used by a now announce that the differential will be 5p a gallon. on specialised location and identification equipment employed by mountain rescue and be no higher than that of fourprice of unleaded petrol should be no higher than that of four-star leaded petrol. The change first aid services.

While on the subject of charitable giving, I should remind the House that this year's Finance Bill will increase the limit on donations to charity under the new payrol giving scheme, which starts next month, from £100 to

Differential for unleaded petrol

from the taxation of sambling but to make some readjustment within the total. I therefore propose to increase the gaming machine licence duty by about a quarter, which will restore it in real terms to its 1982 level, when it was last increased; and to offset this by abolishing, from March 29, the tex on oncourse betting.

to me about the clash this year between Budget day and the

I propose to give an additional increase in the age allowance for those aged 80 or over. For them, the increase will be double the amount due under statutory indexation, so that, for the very elderly, the single

second, the blind person's pay day after May 17. They will allowance has remained uncost a little more than £2bn in changed since 1981, when it 1987-88 over and above the cost was increased by £180 to its present level of £360.

For 1987-88 I propose to increase it by a further £180 to reasures in this year's Rudger's remained uncost a little more than £2bn in of statutory indexation.

The total cost of all the measures in this year's Rudger's remained uncost a little more than £2bn in the cost of statutory indexation.

with statutory indexation; but the threshold for the 45 per cent rate will go up by only \$200 to \$20,400. The other higher rate thresholds will remain unchanged.

There will, of course, be a consequential reduction in the rate of advance corporation tax, and—as last year—I also prohigher rate thresholds will remain unchanged. poration tax from 29 per cent

Big relief for small business

Taken together with ti income tax change, this will mean a significant reduction in the tax burden on small businesses, which are so impor-tant for future growth and jobs. The income tax changes I have just announced will take effect under Paye on the first

measures in this year's Budget, again on an indexed basis, is a little over £24bn. Mr Deputy Speaker, in this

Lower rates of income tax sharpen up incentives and stimulate enterprise, which in turn is the only route to better economic performance.

everyone and the marginal rate for the overwhelming majority

In my Budget speech last year I reaffirmed the aim set out by my predecessor in 1979, to reduce the basic rate of income tax to no more than 25 per cent. That remains my firm objective. However, given my decision to use the greater part of the fiscal scope I now have to re-duce the Public Sector Borrow

nounced the first stage in the ing Requirement, that goal can-not be achieved in this Budget. I can, however, take a further step towards it, as I did last process of increasing the rates of vehicle excise duty on far-mers' heavy lorries to bring them into line with the use they I am therefore reducing the

will take effect from 6 o'clock

In my 1985 Budget I

make of the public roads.

trade licences and rationalise the taxation

recovery vehicles.
I have no further changes to

propose this year in the rate

of excise duty. Finally, I turn to income tax.

There is now a worldwide consensus on the economic

desirability of tax reform and tax reduction, and in particular the reduction of income tax.

This was demonstrated most recently by the various national policy declarations that

emerged from last month's meeting of finance ministers

Lower rates of tax sharpen up incentives and stimulate

enterprise, which in turn is the only route to better economic

And it is only by improving

our economic performance that we will be able to afford to

spend more on public services; only by improving our economic performance that we will be able to create jobs on

the scale that we all want to

That is why, ever since we first office in 1979, we have con-

sistently sought to reduce the

We have cut the basic rate of tax from \$3 per cent to 29 per cent and sharply reduced the punitive higher rates we

inherited from the party oppo-

And we have increased the main tax allowances by 22 per

cent more than inflation, taking

almost 11m people out of in-

raise all the main thresholds and allowances by the statutory indexation factor of 3.7 per

rent, rounded up.
Thus the single person's allowance will rise by £90 to £2,425 and the married man's allowance by £140 to £3,795.

Higher, 40%, rate

threshold goes up

The single age allowance will rise by £110 to £2,980 and the married age allowance by £170 to £4,675. The age allowance income limit becomes £9,800.

I propose to raise the first, 40 per cent, higher rate thres-hold by £700 to £17,900, in line

come tax altogether.
For 1987-88 I propose

nations.

performance.

this evening.

I introduced the second stage basic rate of income tax by two pence, to 27 per cent. in last year's Budget and propose to complete the process this year. I also propose to This reduction, which will benefit every taxpayer in the increase the rates of duty on land, will be worth more than £3 a week to a man on average

\mathbf{WORLD}

Part I The Banking Environment

With the emergence of a global financial market, the major challenge facing banks today has become one of strategy. How should banks position themselves? Which geographical and product markets should they attack? How can they equip themselves financially and technologically to meet the competition? The next few years should increasingly separate those banks with global aspirations from those with a more specialist approach. There will be articles on:

Regulation Middle East Caribbean

The Global Market Capital Flows **Banking Innovations** International Financial Institutions Asia and the Pacific

Part II Banking Services

The services offered by banking groups constantly grow in range and complexity and offer the principal means whereby banks can differentiate themselves in an increasingly competitive market. This section looks at key segments of the banking market and developments such as technology which are shaping them. There will be articles on:

Financial Markets Investment and Merchant Banking International Payment Technology Systems and Credit Cards North America

Israel Finance Services Retail Banking Europe

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caps; the nature and behaviour of our labour market. sitment of a full-blown abolished the permicious capital

greater scope for transferring between different types of pentary of State for Trade and between different types of pen-industry. I now propose to sion scheme.

Again, the Finance Bill will relief broadly along the lines contain the necessary tax pro-

contain the necessary tax pro-Transfer of

pensions eased

Finally, I have decided to so beyond the proposals set out in the consultative document in one important respect.

Starting in October, I propose to allow members of occu-pational pension schemes to make additional voluntary con-tributions, with full tax relief, to a separate plan of their own choice instead of, as now, being restricted to plans within their employers' schemes.

They will be able to top their pensions up to the present tax approval limits.

The proposals I have outlined along with the measures my Rt Ron friend has already taken—will make it easier for people to take their pensions with them when they change jobs, which will be good both for labour mobility and for

independence.

They will widen the range of choices people can make about their pensions; and will mean that, in future, individuals will mean that in future, individuals will mean that in future, individuals will mean that in future. have much more control over the way in which their own Dension contributions are invested. Taken as a whole, the changes

Taken as a whole, the changes we have made in the last two years have brought about a radical transformation in the ways people can provide for their retirement. There are new options for employers, and much greater freedom for individuals to plan their own pensions.

sions.
This will lead to a further major extension of ownership, as people start to take advantage of the new opportunities. age of the new opportunities.

But the generous tax treatment of pensions can be justinsions can be justifled only if it is not abus s neu only n n is not abused. I propose, therefore, to introduce some limited changes to the present rules to restrict the excessive relief which can be obtained in some circumstances, particularly by a few very highly paid people,

Tax-exempt life assurance

These will include a stricter definition of final salary and, for all arrangements entered into from today, an upper limit of £150,000 on the maximum permissible tax-free lump sum, coupled with more rigorous rules on how pension and lump-sum benefits can be calculated. The cost of the overall pen-sions package will inevitably depend on take-up, but with

particularly damaging to the ownership and health of family

This year I propose to extend the same exemption from tax, on similar terms, to gifts involving settled property where there is an interest in posses-

This will not, however, apply to discretionary trusts. These changes will be of particular benefit to family businesses and to heritage properties, both of which are often held in trust.

I also propose to make two minor changes affecting business assets.

First, holdings in companies quoted on the unlisted securities market will henceforth be treated for inheritance tax purposes in provincially the same way. poses in precisely the same way as holdings in companies with a full Stock Exchange listing. Second, business relief for minority holdings in excess of

25 per cent in unquoted com-panies will be increased from 30 per cent to 50 per cent.
The purpose of both these changes is to concentrate business. ness relief more accurately on those assets which could provide funds to pay the tax only at the risk of damaging the

Inheritance tax threshold raised The abolition of the tax on lifetime giving was of the first importance to family busi-

But I remain conscious that it did little to help the smallest taxable estates, where the family home is often the I therefore propose to make

the number of estates liable to inheritance tax will be cut by roughly a third. The cost will be £75m in 1987-88 and £170m in 1988-89. Despite this substantial re-

a substantial increase in the

lief, however, and all the other much-needed reliefs that my predecessor and I have intro-duced since 1979, the House may be interested to learn that the expected yield of inheri-tance tax in 1987-88, at over £1bn, is three times the yield of capital transfer tax in 1978-1979, an increase in real terms of almost 50 per cent.

I have already announced some important changes in value-added tax to prevent avoidance and to help the small businessman I have no other proposals for major changes in

I propose to relieve charities from VAT on certain welfare vehicles used by hospices to transport the terminally ill; on installing or adapting lavatory or bathroom facilities in charity homes for the disabled on

Next, the excise duties, I propose to maintain the revenue

Champion Hurdle. In my Budget statement last year, I undertook to introduce a tax differential in favour of unleaded petrol, to offse

homes for the disabled; on higher production cost, I can



Kinnock pours scorn on 'bribes Budget'

INSTEAD of spraying Britain with across-the-beard tax cuts in a "hribes Budget" the Chanceller should have used the money to combat unemployment, promote industrial development, invest more in education and to encourage training and research, Mr Neil Kinnock, the Labour leader, argued in the Commons hist night.

Despite claiming that the proposals had little to do with the general good and everything to do with the coming general election, he contended that Mr Lawson had also managed to produce a "remarkable anti-climax "—an apparent reference to the relatively subdued cheer he was accorded by the Tory nches at the end of

speech.

Mr Kinnock maintained that the Chancellor would have been acting in accordance with the wishes of the British people if instead of announc-ing across-the-board tax cuts he had provided across-thenation cuts in unemployment, Instead they had been given a Budget which almost

entirely ignored the national need for efficiency in the production of wealth and the national demand for fairness in the distribution of wealth.

Mr Kinnock calculated that the husyancy of the revenue had given the Chancellor the opportunity to devote £3bn to the creation of 300,900 joks—the money allocated to tax ents would secure, at best 80,000 jobs ever two years. He forecast that despite the

pre-election largesse, the give-aways and the bribes the Chancellor had invited not celebration but contempt from the British people.

To Labour cheers, Mr Kinneck emphasised that despite the cuts announced by the Chancellor the nation woold still be having to bear a bigger tax burden than when Labour left office in

Tax cuts totalling £15bn would have been needed to restore the position to that inherited by Mrs Thatcher when she became Prime Minister, he said.

The present Government was the biggest taxer in British history and the biggest job destroyer—2m had been added to the unemployment total during its term of office.

Mr Kinnock scoffed: "There has been higher taxtion, higher unemployment, and higher crime as well from this Government of law and He complined that the boost

to consumption provided by the Budget would result in more finished goods being imported, and suggested that if the Conservatives were returned to office at the general election there would be a repeat of the 1955 experience when the concessions an-nounced in the spring were cancelled out by emergency action taken in the autumn. Mr Kinnock asserted that Mr Lawson would be pre-pared to match the cynicism shown by R. A. Butler when he was Chancellor 32 years

I have two other changes in allowances to announce. First,

age anowance will to £3,070 and the married age allowance by £340 to £4,845.

Around 400,000 taxpayers will benefit from this new measure, and up to 25,000 of them will be taken out of income tax

Finally, I turn to the basic some tax. This is the Budget I have reaffirmed the

starting rate of income tax for prudent policies which, despite

a year-long coal strike followed by a collapse in the oil price, have given us the strongest economy we have known since

> which substantially increased areas, I have once again cut the basic rate of income tax; a cut which the party opposite are pledged to reverse, if they given the chance they will not be.

And I have done this while sharply reducing public borrowing; a combination that has eluded successive governments for decades. This is a Budget built on success, and a Budget for

I commend it to the House. The Chancellor rose at 3.84 pm and sat down at 4.33 pm, having spoken for 59 minutes.

FINANCIAL TIMES

BANKING

The Financial Times proposes to publish a Survey on World Banking, which will appear in two parts-Part I on May 6 1987 and Part II on May 7 1987. The comprehensive Survey will include the following

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Substantial rise forecast in investment and non-oil exports

THE financial statement published yesterday outlined short-term prospects for the period in the spring and the buoyant to mid-1988. It said:

from August onwards, reflecting both the falls in interest rates in the spring and the buoyant growth of personal incomes, and

The economy has been growing at around 3 per cent since its target range. More recently its target range. More recently it has fallen back again to the middle of its target range.

The growth of £M3 rose to 18 mass about 21 per cent A with the cent months of t was about 21 per cent. A substantial rise in investment and non-oil exports is forecast for 1987, and GDP is expected to grow by 3 per cent, with manual facturing output rising slightly

Employment has continued to grow, particularly since the middle of 1986. There has been a reversal of the previous rising

last year's movements in petrol prices and in mortgage interest rates affect the year-on-year comparisons. But it is expected to fall back to around 4 per cent by the fourth quarter.

Output in the major industrial countries has been rising by made financial assets attractive and is likely to continue at that rate in 1987. Imports by developing countries (other than oil borrowing and lending rates apporters) should rise this year. Markets for UK exports of manufactures may grow a little faster in 1987 than in 1986.

Following the fall in oil prices

assumes that fiscal and mone developing countries—and oil tary policies are set within the producers in particular—have framework of the MTFS. It suffered a sharp deterioration framework of the MTFS. It makes the conventional assumption of an oil price of \$15 a Real GNP in the seven in barrel, as in last year's forecast, and assumes that the exchange rate will remain close to its

Financial conditions: The dollar fell further during 1986, particularly against the particularly against the Deutschemark and the Yen. These changes will, over time, help to reduce the size of the US current account deficit and Despite the buoyancy of the Japanese and German sur-domestic demand in these pluses. As explained above Finance Ministers of six has grown only slowly. This of the leading industrialised has been largely a result of nations agreed last month to weak export demand, particu-seek a period of stability in larly from developing countries, exchange rates. Sterling fell in and relatively sluggish growth the summer of 1986, in the wake in investment. The changes in exchange remained steady between October and mid-February, but has since ctrongthand.

cent. But with sterio ing in the summer and autumn major countries remain large, and with M0 also indicating an The surpluses in Japan and easing of monetary conditions, Germany have continued to per cent in October; they remained around that level until early March, but have since fallen. Rates in several overseas countries have also been reduced in recent months. Longer-term rates in the UK followed the same broad profile as short-term rates during 1986, falling sharply in the spring and rising in the autumn. recent weeks they have fallen again, to below 10 per cent. M0 growth was below the

trend in unemployment, and there are good prospects for a continuing decline this year. Inflation fell last year to 31 per cent, its lowest level for nearly 20 years. During 1987, inflation may rise temporarily to a little over 41 per cent, as

ancial institutions have grown particularly rapidly. The wider aggregates that include building societies' liabilities have grown more slowly, aithough also at a rate well in excess of the growth of money GDP: the year-on-year growth of PSL2 has been about 13-14 per cent in recent months. Credit has continued to grow strongly, reflecting at least partly the pace of financial innovation and liberalisation. The growth of broad money must be seen in the context of the strong growth of private sector wealth and strongly posi-tive real interest rates that have made financial assets attractive and their borrowing. The con-siderable increase in liquidity since 1980 appears to have been

per cent in the early months of 1986-87 and has since remained at about that level. This is some

at about that level. This is some
3 points above the top of its
target range, which in turn was
set well above the growth of
money GDP. Holdings of bank
deposits by companies and financial institutions have grown
mortifullating applied. The wide-

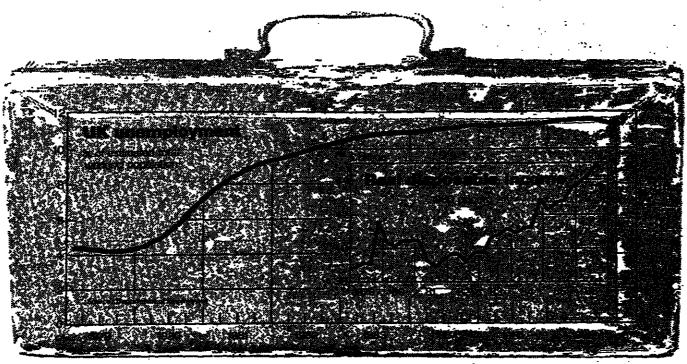
willingly held, and has been accompanied by lower inflation. Following the fall in oil prices a year ago, the current account of the balance of payments recorded a deficit of around £1bn in 1986. Both export and import volumes rose sharply in the second half of last year. A further relatively modest current account deficit of £2\frac{1}{2}bn (some \frac{1}{2} per cent of GDP) is forecast for 1987. forecast for 1987. stimulated faster growth in The forecast for the UK real domestic demand. But

> Real GNP in the seven largest OECD countries grew by about 2½ per cent in 1986. Domestic demand grew rather faster, at 3)4 per cent, with large rises in household incomes and consumers' expenditure. Inflation fell further; and average consumer prices in the seven major countries increased by only 2 per cent in 1986.

countries, industrial production

Short-term interest rates in the UK, which rose to nearly 13 per cent in January 1986, the terms of trade effects (the fell last spring to around 10 per "J-curve"). As a result, the cent Rue with sterling weaken. grow, though more slowly; and there has been little sign yet of any substantial reduction in and inflation in the major seven the US current account deficit industrialised countries, and for Oil prices fell below \$10 per world trade. Inflation is exbarrel last summer, but rose in pected to remain low, though it the second half of the year may rise a little from last year's following the OPEC meeting in level. In the US inflation may December. They have recently traded in a range of \$15.\$18 a barrel. Food and industrial materials prices also fell sharply through most of last year, although they recovered slightly

in the autumn. centre of its 2-6 per cent target World import volumes are



FORECASTS OF EXPENDITURE, IMPORTS AND GROSS **DOMESTIC PRODUCT**

							Less	· 25e	n at 1980 pris	ds, testo	celly adjacted GDP Index
	Consumers'	General government consumption	Total fixed		Change in stocks	Total final expenditure		i.est adjust- ment to factor cost	Plus statistical adjustment	GDP at factor cost	(zrerage estimate) 1980=100
1982 1983	138.3 143.6	49.6 50.5	39.4 41.7	63.3 64.7	-1.1 8.7	289.4 301.2	59.4 62.8	30.4 31.5	-0.4 0.2	199.9 206.7	169.3 193.7 196.7
1984 1985 1986	146.7 152.0 159.2	50.9 51.0 51.6	45.5 46.3 46.6	69.1 73.1 75.3	0.1 0.6 0.8	312.1 323.0 333.2	68.6 70.7 74.8	32.6 34.0 35.0	18 14 21	212.7 219.8 225.5	110.2 113.1
1987 1985 H1	165.2 75.0 76.9	52.1 25.5 25.5	48.4 23.3 23.0	78,4 36.7 36.4	1.4 0.4 0.2	345.5 161.0 162.0	79.4 35.2 35.5	36,3 16,7 17,2	2.4 0.5 0.9	232.2 109.5 116.2	116.5 199.9 110.6
1986 H1 1986 H2	78.6 80.6	25.5 26.0	23.3 23.3	36.7 38.7	0.4 0.2	164.5 168.8 171.6	35.9 39.0 39.3	17.2 17.8 18.0	0.6 1.5 1.2	112.0 113.5 115.5	112.3 113.9 115.5
1987 H1 1987 H2 1988 H1	81.9 83.3 84.9	26. 0 26.1 26.2	24.0 24.4 24.7	39.0 39.5 39.7	9.6 9.7 9.6	173.9 176.3	40.1 40.3	18.3 18.6	1.2 1.1	116.7 118.5	117.1 118.9
Per cent changes 1984 to 1985	2) 4)	e	2,	6	=	3 1	3	4 3	=	3 <u>†</u> 2 †	3 <u>;</u> 2 <u>;</u>
1985 to 1987 1986 to 1987 1987 H1 to 1988 H1	4 3 <u>1</u>	i	4 3	. 4	Ξ	31 21	6 2}	3	Ξ	31 21	3 2 1
											

This is somewhat faster than in 1985, largely because of a rise in oil trade as the major oil companies rebuilt their stocks. Developed countries' exports of manufacturers rose by only 3 per cent as buoyant domestic demand in industrialised countries was partially offset by cuts in developing countries' imports.

The outlook for oil prices remains uncertain. The forecast below is based on the assumptions of the countries of the countr

tion that North Sea oil prices average \$15 per barrel in 1987-88. Non-oil commodity prices may remain low, with food prices held down by the large sur-pluses of agricultural production. With rising activity in the material prices may recover further. But imports by Japan slightly from their current low and Germany are expected to

The shows the forecasts for activity increase slightly as the effects of the fall in the dollar feed through, but the corresponding appreciation of the yen and deutschemark should mean that rise only very slowly, if at all. These changes in exchange rates and inflation will affect

Janan and Germany they are likely to strengthen domestic demand but weaken export demand; in the US, the opposite effects are likely. In aggregate, domestic demand in the major industrial countries is likely to grow less strongly than in 1986. But GNP growth should be much the same, and industrial production should grow rather faster, helped by a recovery in exports.

World trade in manufactures

is forecast to grow rather more quickly in 1987 than in 1986, though the pattern may be uneven. Import demand in the US is likely to slow down considerably, and oil producers are increase rapidly. Imports by non-oil developing countries seem likely to rise faster in 1987, after showing little change in 1986; despite continuing debt problems for some of these countries, commodity prices and may rise a little from last year's hence export earnings are ex-level. In the US inflation may pected to strengthen during pected to strengthen during 1987. Growth in total world trade in 1987 is likely to be slower than in 1986, largely because the rebuilding of oil stocks is not expected to con-

UK trade and the balance of payments: The UK's competi-tiveness improved markedly range in the early months of thought to have grown by more rates and inflation will affect tiveness improved markedly 1986-87. Its growth quickened than 5 per cent during 1986. domestic demand and output. In during 1988. Productivity rose

Relative unit

fast and the growth of unit labour costs was only a little above that of our main competitors. As a result, the lower exchange rate was almost entirely reflected in improved competitiveness (see accompanying table). Most of the gain in competitiveness seems likely to be maintained over the year

Prices of most imports rose during 1936, as the effects of the depreciation of sterling more than offset generally weak world prices. Export prices also rose, as exporters took advan-tage of sterling's decline to improve profit margins. Ex-cluding oil, the terms of trade

been growing strongly in recent were 6 per cent above their Community. level a year earlier. With rising world trade and the continued

year, mainly as a result of exceptionally high grain ex-ports (demand for UK grain exports was strong, partly reflecting drought in Southern Europe); grain exports are unlikely to continue at these levels in 1987. Total exports should grow by about 6 per cent, compared with 21 per cent in 1986.

UK manufactured export volumes appear to have main-tained their share of developed countries' exports in 1986. This reinforces the previous evi-dence that the declining trend in share of developed countries' exports over the decades up to 1981 has ended. The surplus on invisibles rose

between 1985 and 1986. Little profits and dividends (IPD) further change seems likely in rose particularly rapidly as a 1987. result of the lower payments Exports of manufactures have abroad by North Sea companies months. Growth had flattened on other earnings. The surplus in the final months of 1985 and on services fell in 1986, largely exports fell briefly in early due to lower net earnings from 1986, in common with those of tourism. The deficit on transother main manufacturing fers was abnormally low last countries. But since then they year, reflecting the size and have recovered strongly, and in timing of government trans-the three months to January actions with the European

The surplus on invisibles is forecast to show a further rise benefits of improved competition in 1987 with the pound's depretiveness, manufactured exports ciation during last year helping show further strong to increase the sterling value of growth in 1987. Exports of non-the earnings on the UR's large manufactures rose rapidly last stock of foreign assets. The

ment in UK competitiveness. These higher earnings should more than offset an increase in the transfers deficit to a more normal level.

The current account recorded a £1bn deficit in 1986 following a surplus of £3hn in 1985. Lower net oil earnings and an increased deficit on trade in manufactures more than offset an improvement in invisibles. The account deficit of £21bn. Details are given in an accompanying

The UK's stock of net overseas assets is thought to have risen by the end of 1986 to about £110bn (equivalent to 28 per cent of GDP: its highest recorded level aince the war) compared with £80bn at the end of 1985. The increase in the sterling value of assets reflects both the strength of world stock markets and the deprecistion of sterling last year.

Demand and activity: The UK economy continued its steady growth in 1966. But there are uncertainties over the precise estimates of the rate of growth, given the differences between he three separate estimates of GDP (based on measures of output). The output figures -

generally recognised as the most reliable short-term indication show non-oil growth of over 3 per cent between the end of 1985 and the end of 1986, following a brief pause

in late 1985.

As in other industrial countries, consumers' expenditure in the UK grew strongly in 1986 as imitation fell and real incomes rose. UK exports were weak in the first ball of the year, but recovered strongly in the second half. Imports had been depressed in the first half of the year but also rose sharply in the second half-as Real personal disposable income is estimated to have

risen by about 4 per cent in 1986, and consumers' expenditure by over 4f per cent. This implies some further fall in the personal savings ratio which has been declining throughout most of the 1880s. One reason is that with lower inflation is that with lower initation households have needed to make less provision for the erosion of their past savings. Another factor has been a decline in the growth of employers' contributions to pension funds as a result of the surpluses that many funds have these showing reinforced. have been showing, reinforced Finance Act: these contributions are treated in the national accounts as a part, of the personal income and saving. The buoyancy of consumers spending may also owe some-thing to the strength of the stock market. In spite of the fall in the savings ratio higher asset prices and lower inflation have contributed to an increase. of over 50 per cent in persons' net holdings of financial assets

since the end of 1983. Real personal disposable in-come is forecast to rise by around 34 per cent in 1987. This is slightly less than in 1986 and reflects some narrowing of the gap between earnings growth and inflation. Though there

Major Seven countries Real GNP industrial production Consumer prices World trade, at constant prices

1985 1986 1987 Forecast

WORLD ECONOMIC PROSPECTS

(Per cent changes on a year earlier)

CURRENT ACCOUNT

GROSS FIXED DOMESTIC CAPITAL FORMATION

surpluses on services should may be some further decline in also benefit from the improvependiture is expected to grow more slowly than in 1985, at a little under 4 per cent.

The housing market was buoyant in 1986, and private housing investment, both in new dwellings and in improvements to existing dwellings, grew strongly during the course of the year. Private housing starts were about 81 per cent higher than in 1985; in Greater London, where the largest in-creases in house prices have been recorded, private housing starts in 1986 were almost 40. per cent up on a year earlier. These higher starts should be reflected in completions and investment in new dwellings during 1987; private housing investment may rise by around 10 per cent in the year as a whole. per cent up on a year earlier.

The rate of return earned by non-North Sea industrial and commercial companies (ICCs) continued to rise last year; gross tracking profits earned in the North Sea fell by more than the North Sea fell by more than half. The outlook for companies is favourable, but further substantial rises in profitability will probably have to abelity will probably have to depend less on depressed world prices of inputs of materials and fuels, and more on firms containing the costs that are under their own control.

Company sector spending was relatively weak in 1986. North Sea investment has been falling in the face of sharply lower profits. Onshore business investment was affected by the bringing forward of capital spending into 1985 ahead of the final stage of the changes in capital allowances announced in the 1984 Budget.

5545

The prospects are for invest-ment to grow rapidly this year. The DTI investment intentions survey published last December pointed to growth in non-North of the year but also rose sharply in the second half as sea. Insiness investment of the economy gained momentum, about 6 per cent countries in imports of capital goods. CHI survey of industrial trends output growth in the service indicated a pick up in investing output for the try, and the forecast assumes year as a whole; but manufacturing that the DTT's intentions survey per cent between the two halves realised. An accompanying of the year as exports table provides details of the recovered. forecast for total investment

and its components.

The economy's stock output ratio fell in 1986 for the sixth successive year. It appears that manufacturers ran down stocks; and though distributors' stock levels rose, the increase was a small one in relation to the increase in the volume of sales. The latest quarterly CRI survey suggested that manufacturers was the intending to may not now be intending to reduce their stocks of raw materials much further, presibly because of the firmer trend in raw material prices in recent months. An additional source of destocking in 1986 was the exceptionally high the stocks held by the Intervention Board for Agricultural Produce (IBAP).

Stockbuilding is likely to make a positive contribution to growth in 1987, although the forecast is for only a small rise in stocks by the standards of most years in the 1970s, and there is likely to be a further fall in the stock output ration for the whole economy.

The forecast is for a further year of steady growth in 1987. GDP is expected to grow by 3 per cent, around the rate which it was growing in the latter part of 1986. Exports and investment are forecast to grow strongly, Continued on Page 19

First half

REAL GDP AND **MANUFACTURING OUTPUT**

•	Percentage changes of a year earlier Forecasts					
	986	1987	1988			
GDP Non-North Sea output Manufacturing output	2½ 2½	3 31 4	2 1 3 3			

PROSPECTS

	Foregasts	Average errors from past forecast*
***	% Changes	 -
Output and expenditure at constant 1980 prices	1966 to 1967	% Politis
Domestic demand	34	′ 0 1
of which:	. 41	υŢ
consumers' expenditure	. 4	1
general government consumption	. 1	ī
fixed investment	. 4	2 <u>}</u>
change in stockbuilding (as per cent of level		
of GDP)	04	01
Imports of goods and services	6	01 2} 2} 01 2
Gross domestic product; total	3	21
manufacturing	4	2
Inflation		_
TITINGE	% changes	-
Gross domestic product manufacturing	4	2
Retail prices index		
1986 Q4 to 1987 Q4		11
1987 Q2 to 1988 Q2	. 4	21
	% changes on	
Deflator for GDP at market prices	= Acer -curie.	
Financial year 1986-87Financial year 1987-88	. 3	θž
		17
	% changes on	
	a year excilor	
Financial year 1986-87	6	11
Financial year 1987-88	?}	13
Balance of payments on current account	Ebp*	
1097	-2 1	3
1988 first half (at an annual rate)	-2	3}
PSER	€bn®	
Financial year 1986-87	4 (1%)	1 (4%)
Financial year 1987-88	4 (1%)	š (1f%)
The errors relate to the everage difference (on either a	de of the con	- 1-1:07
The errors forcest and outturn. The method of calc	ulating these	SLLOIS 1933

in earlier publications and government forecasts (see is Report June 1981). The calculations of average errors recests made between 1975 and 1985. The errors are after

COSTS OF MANUFACTURING

tinue.

		Unit labour costs	Cost of materials and fuel*	Estimated total costs†	Outpu
1984 1985 1986		3 4 5	81 41 -10]	5 41 0	5 1 61 43
Pro	Forecast	1 sering food. of bought in ser	drink and tobacco.	2	4

EXCHANGE RATES AND COMPETITIVENESS

·	Sterling (1975=		laber	=106) • r costs re mult
1984 Q4 1985 Q4 1986 Q4	75 80 68			80 86 72
FORECAST			TURN	
		1986 FSBR Forecast	Latest estimate/	Averag errors from par
Total gross domestic produc change between 1985 a RPI: per cent increase betw	nd 1986	ent 3	2}	65
fourth quarters of 1985 a Money GDP, per cent chang	nd 1986	31	310	1;
between 1985-86 and 1986 Current account of the bala	-87	61	6	11
payments in 1986, £ billi PSBR, financial year 1986-	lon	31	-1* 4	3 5

		Percent	ige changes — earlier —	0112
	Weight in 1987	1986 Q4		ecast 198
Food	18}	3 1	21	3
Nationalised industries*	6	31	2	5
Housing	14 1	7	9	~ 7
Other	61	23	3}	3
Total	100	3}	4	4
* Includes water.				

GDP

	a.y (con	Percentage chan a year earlier (constant prior Ferecasts			
Domestic demand	1986 3 2 (3) 6 (5) 2	1987 3½ 4 (5) 8 (7) 3	First half 1988 2 (4) 21(3) 21		
VISIBLE TR	ADE				
Per cent changes on pr	evious year				
All goods Good	s less oil	and errat	le items		
Export Import Terms of volume volume trade	ef Export volume	Import : volume	Terms of trade*		
1985	7 21	4	-1 <u>1</u>		

	TPUT	PER			<u> </u>	· ———
•	1964-73	nual avera 1973-79	res —— 1979-86	et changes - 1983 Q4 to 1984 Q4*	1984 Q4* 1985 Q4	1985 Q- to 1986 Q4
Manufacturing Non-manufacturing† Whole economy Non-North Sea economy	9† 3 2† 2†	14-	31 11 2 14	3 1 14 2 2	2 1 1 1 1 1	41 21 21 21
Figures for 1984 Q4 are adjusted for the sti † Excludes public services and North See oil † Partly forecast.	mated effect and gas ext	of the coal raction,	strike.			

RETAIL PRICES INDEX

	Weight			ecasts
<u> </u>	in 1987	1986 Q4	1987 Q4	1988 Q4
odtionalised industries*	18 <u>}</u>	3 1	2} 2	3 5
usingher	14 1 61	? 21	9 31	7 31
tal	100	3}	4	4
ncludes weter.	<u> </u>			
DOMESTIC	C DE	MAND	AND	<u>.</u> `.·

		Percentage changes of a year earlier* (constant prices) Ferocasts				
mestic demand ports of goods and ser ports of goods and ser mestic production: GDP	vices	1986 3 2 (3) 6 (5) 2;	1987 3½ 4 (5) 8 (7) 3	First half 1988 2 (4) 21(3) 21		
on-oil shown in parentheses, verage measure.	LE TR	ADF				
Per cent e	hanges on pre	vious yea				
All_goods	Goods	less eil	and errai	ic items		
Export Im volume vo	port Terms o lume trade	Export volume	Import volume	Terms of trade*		
5	3½ -½ 6 -5} 7 6	7 2 1 6	4 8	-1: -1: -1:		
e ratio of UK expert average	Values to Impo	oft average v	rajues.	•		

	9 -	. •	. 8	, ,
/85	to imp	oft average	. values.	
-	·——			
4			Thousay	ds, cha
Ħ				٠.
	Septe	mber 19	83 to Sec	tember
	Serve	moer 19	ക്സമി	STATE OF THE PARTY

EMPLOYMENT

dwellingst

·	Thousands,	change in	GB seasons	lly adjusted	employees in	employment	
		 _ 		Male	Se Female emp	if Hill ployed Ferres	Total is employ ment
ember 18	83 to Septem 84 to Septem 85 to Septem 6-simpleyment of	sber 1965 . nher 1986 .	June 1 98 6 in 1	23 +47 25 projection be	+196	235 +3 96 -2 38+ -3 yment growth over	+496 +328 +136
yesis.					e e e e e e e e e e e e e e e e e e e	100	ron previo

Price stability and higher output is medium-term aim

THE financial statement published year without disruption, lished yesterday detailed the and is about to embark on a medium-term financial strategy, seventh year of steady growth,

The Medium Term Financial Strategy (MTFS) continues to of policy: Policy is directed at provide the framework for the maintaining conditions that will Government's economic policy, bring about a gradual reduc-si it has done since 1980. It is intended to bring inflation down GDP over the medium term. In intended to bring inflation down further over a period of years, and ultimately to achieve price stability. It is complemented by policies designed further to improve other aspects of the UK's economic performance.

Economic policy is set in a nominal framework. Monetary and fiscal policies are designed to reduce the growth of money GDP, so bringing down infation. They are complemented by policies to encourage enterprise, efficiency and flexibility. These policies improve the division of money GDP growth be-tween output growth and inflation, and help the creation

Over the past seven years, money GDP growth has come down-from over 20 per cent to around 6 per cent. In real terms the eccumy has grown at approaching 3 per cent a year on average since 1981, with little variation in the growth rate from year to year. This has been achieved while inflation has come down sharply—
from a peak of over 20 per cent
in 1980 to 4 per cent now. Productivity is rising rapidly, at a
rate which compares very
favourably with our major comfavourably with our major comactivates. The economy has

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Objectives and the tramework evitably be fluctuations, but the departures in the medium term from the path set out in the accompanying table.

The growth of money GDP in 1986-87 is expected to be somewhat below the 63 per cent forecast at the time of the last Budget. The forecast for 1987-1999 is proportionally higher 1988 is correspondingly higher than the 61 per cent indicated last year. Over the two years to 1987-88 the growth rate is little changed. In the later years the growth of money GDP declines at the same rate as in last year's MTFS.

The Government sets mone tary and fiscal policies to achieve monetary conditions which will deliver its objectives for money GDP. A declining path for money GDP growth, as in the accompanying table, requires firm monetary policies supported by low public sector

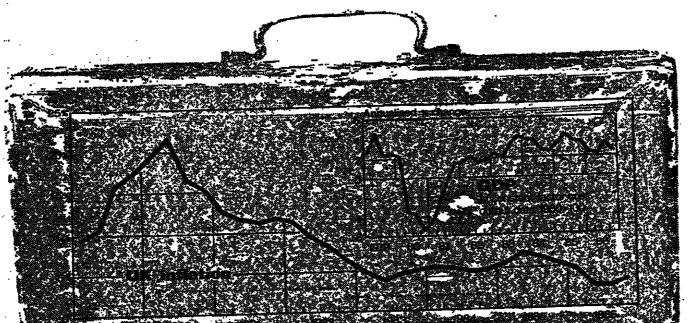
varied more frequently, are the petitors. The economy has tary policy. They will continue weathered the fall in oil prices to be maintained at levels neces-

REVENUE AND EXPENDITURE

Chang	es from 1985-86	1986 B 1986-87	TTFS pr 1987-88	ojection 1988-89	18, EDD 1989-90
Expenditure 1 Planning total 2 Others;	+0.2		+4} -1}	+5½ -0½	+8
3 General government expenditure	+0.6	+1	+31	+5	+8
Receipts; 4 North Sea taxes	-0.1	-11		-6}	_
5 Other taxes and contributions	+1.8 +0.1	+3 1 +1	+41	+51	+6 1 -1 1
7 General government	+1.8	+3	+43	+4	+5
8 Implied cumulative fiscal	—	_	-2	-3	-4 1
9 Public corporations' market and overseas borrowings	+0.1 -1.1	-1 -3	3	-01 -21	-0 1 -2
10 PSBR the nearest 2-bn fn	om 1986-8	7 onwai	ds. Class	sification	change

CENTRAL GOVERNMENT **TRANSACTIONS**

	£bn 1985-86 Outturn	1986-87 Latest estimate	1987-88 Forecast
Receipts	100.8	163.9	118.9
Taxes and royalties	24.5 9.7	26.5 19.7	28.5 10.4
Other	135.0	141.1	149.8
Expenditure Current expenditure on goods and services Current grants and subsidies Interest Net lending and capital expenditure, excluding on-lending to local authorities and public	46.6 72.1 16.1	49.4 77.1 16.5	52.0 79.4 17.2
Topol Millionico	4.8		151.3*
COTOOTATIONS	139.1	146.1	
Total expenditure			



PSBR fully, and no more, by sales of debt outside the monetary sector. This will continue to be the basis for funding

policy. Monetary policy: Monetary conditions are assessed in the light of movements in narrow and broad money, and the be-haviour of other financial indicators, in particular the exchange rate. There is no mechanical formula for taking these factors into account; a balance must be struck between the exchange rate and domestic mo tary growth consistent with the Government's aims for money GDP and inflation.

Over the past two years, the dollar has depreciated substantially against most other major currencies. At a meeting of finance ministers and central bank governors of six major industrial nations in Paris on February 22, it was concluded that a period of stability would be desirable. Accordingly, the UK and other countries repre-sented there agreed to co-oper-ate closely to that end. The MTFS projections assume that there is no major change in either the sterling exchange rate index or the sterling/dollar exchange rate from year to

Last year's MTFS set out the properties desired of a target aggregate for parrow money. In particular, it should have a stable relationship with money GDP. The velocity of Mo has grown relatively steadily over a long period of time. Mo has proved a reliable indicator of

In principle there is a case for moving to a wider measure of non-inferest bearing money, such as the non-interest bearing component of M1. But the velocity of this aggregate exhibits considerable fluctuations which are currently exacerbated by the rapid growth of interest bearing sight deposits, and it is ultra-sensitive to interest rate changes. In these circumstances Mo remains the best choice of narrow aggregate for target

The target range for Mo growth in 1987-88 is 2 to 6 per ent, unchanged from the range

sary to keep monetary conditions on track. Ranges for the later years are illustrative, but show a decline tions on track.

The authorities seek over each financial year to fund the PSER fully and the part of the seek over to fund the part for money GDP growth. MO threatens to move significantly outside its target range in 1987-88 there is a presump tion that the Government will take action on interest rates unless other indicators clearly

suggest that monetary conditions remain satisfactory.

Broad money has been growing considerably faster than ing considerably faster than money GDP in recent years. In part this has reflected high real interest rates, which have added to the attractis; mess of financial assets in general; and the end of overfunding in 1985 has also contributed. But perhaps most important the increasing most important, the increasing competition in financial markets in recent years has led to rapid growth of private sector liquidity and borrowing.

Private sector borrowing has been thing and is now over 10 per cent of GDP. It has clearly contributed more than public borrowing to upward pressure on real interest rates. These trends are likely to persist, so that broad money growth may continue at around its recent rate, well in excess of the growth rate of money GDP. The 1986 Building Societies

proceeds are added back, it has Act marks a further step in the evolving status of building societies. As their behaviour bein the past two years than at comes closer to that of banks, wider aggregates which include building society liabilities are likely to continue to be slightly dess erratic than EMS.

been lower as a share of GDP

As usual, the fiscal projec-

tions for the next four years

tables take account of the com-

position of receipts and expendi-

PSER sooner than would other-

MTFS. The buoyancy revenues has enabled

wise have been the case.

any time since 1971-72.

Both the Chancellor and the Governor of the Bank of England have drawn attention to the increasing difficulties in interpreting changes in broad money. With rapid and pervasive changes in financial prac-tices, there is no simple rela-tionship between broad money growth and money GDP. For this reason, the Government has decided that there should be no formal target for broad money in 1987-88. But the rate of growth of broad money cannot be ignored, and the Government will continue to take into account in assessing monetary

Fiscal policy: The PSBR in 1986-87 is expected to be about 1 per cent of GDP. This is appreciably less than was set at the time of last year's Budget, in spite of lower oil revenues. After remaining at about 31 per cent of GDP between 1981-82 and 1984-85, the PSBR was reduced sharply in 1985-86 and has come down further in 1986-87. Even if privatisation

MONEY GDP GROWTH*

986-87	1987-88	1988-89	1989-90	1990-91
	7½	61	6	1987-88 is 9.
Per' cent	change on bisalon	years the fi	purse describe the	Government s
broad for	dium term objectives			

(GROW	TH	OF	MO

	GRU		.	
986-87 A	1987-88 2-6	1988-89 1-5	1989-90 1-5	1990-91 0-4
1986-87: pa 1988-89 onw	r cant change of rards: illustrative	n previous financia ranges.	l year, 1987-88:	Telder lender

OUTPUT AND INFLATION ASSUMPTIONS

1200-0	1, 1001 00			1990-91
eal GDP Ion-North Sea	3	21 21	2 1 21	22 21
fotal	41	4	3 }	3

at £4bn, or 1 per cent of GDP, the same as the expected outturn in 1986-87. North Sea revenues in 1987-88 are forecast at about £4bn, slightly lower than in 1986-87. The proceeds from the Government's privatisation programme are expected to be £5bn, as set out in the Autumn Statement.

The PSBR is projected to remain at 1 per cent of GDP-thereafter. If privatisation proceeds are added back the ratio gradually falls from 2; per cent in 1987-88 to 2 per cent in the final year. The PSBR to be set in future Budgets for the year ahead will as usual be reviewed in the light of circumstances at the For the period to 1989-90, the

For the period to 1989-90, the public expenditure projections in the accompanying table follow the plans set out in the public expenditure white paper (Cm 56). It is provisionally assumed that the planning total will grow by 1 per cent in real terms in 1990-91. Decisions on the planning total for that year the planning total for that year will be taken in the 1987 survey. The definition of revenue in the accompanying table is based on the conventional assumptions of constant 1987-88 tax and national insurance contribution rates, and allowances and thresholds set out in the accompanying in the Budget are taken into

The assumptions about output growth and inflation that undershown in the accompanying table. They are consistent with Government to achieve its the figures for money GDP long term objective for the growth. Oil prices are assumed to average \$15 a barrel in 1987and thereafter to remain

The PSBR for 1987-88 is set broadly unchanged in real terms.
Public expenditure: tinued restraint in public spending is a vital element of the Government's economic strategy. General government expenditure has fallen steadily as a proportion of GDP from its peak of over 46 per cent in 1982-83. The plans in the white paper imply a continuing fall in this ratio. This will enable a low level of borrowing to be com-bined with reductions in the burden of taxation, so improving motivation, efficiency and

employment.

Revenue: Over the period as a whole, non-North Sea revenues are assumed to grow broadly in line with non-North Sea money GDP. Government revenues from the North Sea, however, are expected to remain more or less unchanged in cash terms, having fallen sharply in 1986-1987. Thus total general govern-ment receipts are projected to somewhat less than

increase somewhat less than money GDP. Public sector borrowing: The projections of government ex-penditure and receipts are brought together in the accom-panying table to provide projec-tions of the general government borrowing requirement horrowing requirement (GGBR), the PSBR and the fiscal adjustment.

Conclusion: Events both at

indexed from the proposed 1987-88 levels. All changes proposed home and abroad may modify some of the assumptions on which the projections have been committed to maintaining proposition of feetings are position of the PSBR is growth and inflation that under-ture. The path of the PSBR is growth and inflation that under-below that shown in last year's lie the revenue projections are below that shown in last year's lie the revenue projections are lower public expenditure as a share of GDP and lower taxes in the medium term. MTFS provides the framework within which the financial poli-

PUBLIC SECTOR BORROWING

	1005.00	1096.87	1987-88	1988-89		n, cash 1990-91
General government expenditure	158.8 151.9	165 159	174 169	180 178	188 187	196 197
General government receipts General adjustment from previous years Amnual fiscal adjustment	— —	Ξ	=	3	3 2	5 2 6
Annual fiscal adjustment; GGBR Public corporations' market and overseas borrowing	6.9 - <u>1.1</u>	- <u>6</u>	-1 -1	-1 A	-1 5	- <u>1</u>
PSBR	5.8 369 1.6	382 1	41Î 1	437 1	464 1	489 1
PSBR as per cent of GDP					1101	In Tables

Rounded to the nearest £1bn from 1988-87 onwards. Further details for 1986-87 and 1987-88 are 1.2 and 6.7.
 Means tower taxes or higher expenditure than assumed in lines 1 and 2.

GENERAL GOVERNMENT EXPENDITURE

					£ì	n, cast
	1985-86	1986-87	1987-88	1988-89		
ublic expenditure planning total*	133.6 17.6 	140 17 165 -41	149 18 7 174 -5	154 18 8 180 —5	162 19 8 188 -5	168 19 8 196 -5
Which Privaces to assumed to grow by 1 per cent in rea	i terms in	1990-91.				_

paragraph 5.04. ral. government expanditure, and its components, are rounded to the n ral. government expanditure, and its components, are rounded to the same in cash terms in 1990-91 as in 1989-90. paragraph 5.04.

GENERAL GOVERNMENT RECEIPTS

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-9
Taxes on incomes, expenditrue and capital	114.4 24.7 6.5 6.7 -0.5	119 27 6 7	128 28 6 7	136 30 6 6	144 32 6 6 -1	152 34 6 6 -1
Accrusis adjustment receipts* General government receipts* of which North Sea taxt	151.9 11.4	159 5 the neares	169 4 T Elbn fro	178 4 1988-87 ora North	Saa cii	197 4
General government receipts, and its devence payme; Royalties, petroleum revenue tax (including advance payme production before advance corporation tax set-off). This do production before advance corporation tax set-off). This do production war in respect of North See production. See foo				o tax rec	erbes in	Cio Son

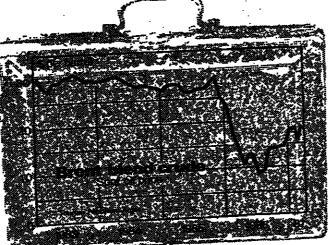
Investment and export rise forecast Continued from Page 18.

offsetting some slowing down in consumer spending. The prospects for demand and activity are summarised in an accompanying table. The recovery in manufacturing output seen in the second half of 1986 is forecast to conhalf of 1986 is forecast to con-tinue, helped by rising exports (see accompanying table). Con-struction output also rose quite strongly during 1986, and should benefit further from the expected strength of private investment in buildings during 1987.

Investment in butter investment in butter 1987.

Infation: Both retail and producer output price infation producer output price infation remain close to the lowest levels experienced since the 1960s. The RPI rose by 3½ per cent. The RPI rose by 3½ per cent in 1986, compared to a rise of in 1986, compared to a rise of infation rate reached a low inflation rate reached a low point of 2.4 per cent in July point of 2.4 per cent in July point of 2.4 per cent is subseand August: most of its subseand August: most of its subseand august rise has reflected changes quent rise has reflected changes in mortgage interest rates. quent rise has reflected changes in mortgage interest rates.
The rate of increase of also ducer output prices has also fallen significantly since the start of 1986, although it has started to edge up again started to edge up again recently, reflecting in part the fall in sterling that took place during the summer and early reflecting that took place during the summer and early

sector have fallen slightly in recent months. Settlements in manufacturing industry recorded by the CBI have shown a corded by the case of the the case o corded by the CBI have shown a fall of about 13 per cent labour costs in manufacturing labour costs in manufacturing rose by about 5 per cent. For ments in the private sector as labour costs in manufacturing labou ments in the private sector as a whole, including those outside manufacturing, may have fallen by less than this. This is dealing in pay to the private sector as decline in pay settlements has not yet been reflected in lower recorded growth in average earnings. The current annual rate of growth of earnings reflects settlements made over renerts settlements made over the whole of the last year (the majority of them still dating

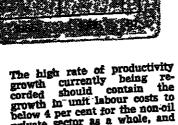


The high rate of productivity growth currently heing recorded should contain the growth in unit labour costs to below 4 per cent for the non-oil private sector as a whole, and to assured 11 ner cent for manual. from the period when settlefrom the period when settlements were running at a higher rate than they now are), and is also affected by overtime working, which has risen slightly since the second quarter of 1986. to around 11 per cent for manu-facturing industry.

In spite of the continuing fall in sterling that took place during the summer and early sutumn.

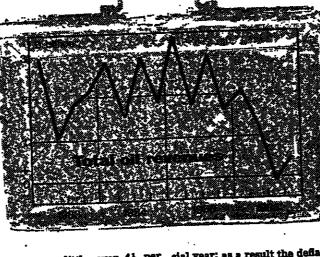
Pay increases in the private changed only a little since the continuing manufacturing have probably manufacturing have fallen slightly in ector have fallen slightly in ector months. Settlements in continuing relatively fast growth of earnings, unit labour costs in manufacturing have probably changed only a little since the first quarter of 1986 as productivity has risen sharply. The continuing relatively fast growth of earnings, unit labour costs in manufacturing that took place relatively fast growth of earnings, unit labour costs in manufacturing that took place relatively fast growth of earnings, unit labour costs in manufacturing that the private changed only a little since the chang to rise no faster than those in the other major industrial

The lower pay settlements recorded in recent months should corded in recent months should lead to lower growth in earn-ings. Nevertheless employees will enjoy a further substantial rise in real earnings in 1987.



The figures in an accompany-The figures in an accompanying table suggest that profit margins in manufacturing have widened markedly in recent years. It seems likely that industry will hold on to the gains it made last year with the help of falling input costs, and profit margins may widen further during 1987 given the forecast low ing 1987 given the forecast low ing 1967 given the forecast low growth in unit labour costs. In the longer run the higher level of profitability should lead to

more investment, greater cap-acity, higher-productivity, and hence lower inflationary pres-



crease than the RPI during

per cent by the fourth quarter.

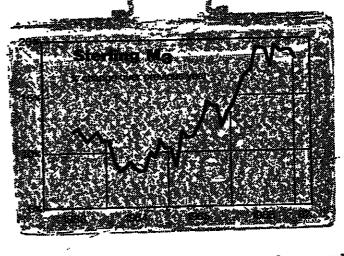
The GDP deflator measures

cial year: as a result the deflator for GDP at market prices may have risen by only 3 per cent in 1988-87. Given the assump-tion of a \$15 oil price and with rarily to a little over 41 per cent. This will mainly reflect the relative movements in 1986 and 1987 of petrol prices (which fell during the first half of 1986 to a low point in July the further rise in non-North Sea profits now foreseen, the GDP deflator may rise rather and early August) and mort-gage interest rates. But infla-tion should then fall back in the second half of the year, to faster in 1987-88 than in the previous year, perhaps by around 41 per cent. around 4 per cent in the fourth quarter (for details, see accompanying table). The tax and price index (TPI) is expected to show a much smaller interests than the DUI during Productivity and the labour market: Results from the 1984

Census of Employment became available in December. These crease than the RPI quring available in speciment.

1987, peaking at around 3 per showed that the change in the cent during the summer, and number of employees since the probably falling to around 2 last Census in 1981 had been per cent by the fourth quarter.

Very close to provisional estimetre of the control of the change in the cent during the summer. mates based on the results of successive Labour Force Surthe price of domestic value veys. Results from the 1986 added—principally unit labour Labour Force Survey have led costs and profits per unit of to minor upward revisions to output—and excludes import figures for employees, and to a prices. It is sensitive to move The year-on-year rate of in-flation is likely to continue to ments in North Sea profits, for growth in self-employment ments in North Sea profits, for growth in self-employment tion of changes in employment months, perhaps rising tempo-months, perhaps rising tempo-



in the employed labour force in Great Britain is now esti-mated at 1,040,000. An accom-panying table shows changes in employment over the last three years for which figures are in

averaged only about 20,000 a quarter in the first half of 1986, reflecting the period of sluggish output growth at the end of 1985 and in early 1986. The third quarter saw employment growing at almost three times this rate as the economy quickened again. Recent monthly figures for manufacturing employment point to a further pick up in total employment growth in the

employees the Census results show some differences from the

has risen by much more, and part-time female employment by much less than previously

fourth quarter.

While confirming earlier figures for the total number of employees the Census results show some differences from the some confirming than the six month fall since the continued strength of the UK economy means that the flows on either side of the employees the Census results show some differences from the six unforther during the next of the public corporations, are

estimated; employment outside manufacturing has risen more than previously thought while manufacturing employment has shown a corresponding greater decline. The estimate of productivity growth in manufac-turing since the 1979 cyclical peak has been raised by about per cent a year on average. Underlying growth in manu-facturing productivity now seems to be back to the rate experienced in the 1960s.

Seasonally adjusted adult unemployment in the United forecast. Those items which Kingdom fell by over 100,000 in the six months to January, balance between large flows in year, and the outlook for a con- about £200bn; and for the curtinuing fall in unemployment is rent account of the balance of promising. The training and payments exceed £150bn.

counselling measures announced and implemented over the past year are helping the long term unemployed in particular. A sustained major reduction in unemployment will continue to depend on moderation in pay Forecast and outturn: An

accompanying table compares the main elements of the forecast published in the 1986 FSBR with the outturn or latest estimate.
Inflation in the fourth quarter

Inflation in the fourth quarter of 1986 was in line with the forecast made a year ago. GDP growth has probably been a little below forecast, although the data on which latest estimates for 1986 are based are still very uncertain Non-oil tax revenues have grown faster than forecast, and the PSBR in 1986-87 is likely to turn out about £3hn below last year's forecast. The largest error made last year was on the current account; the main factors rent account; the main factors here were that growth in UK export markets turned out well below what had been expected a year ago while the terms of trade worsened more than forecast.

This year's forecast is summarised in an accompanying forecast is complete without an

indication of error margins. An accompanying table sets out the average errors from past fore-casts, alongside the forecasts themselves. These average errors provide an indication of possible errors in the current

Income tax cut and framework for personal pensions outlined

THE financial statement and Budget Report published yester-day announced the following

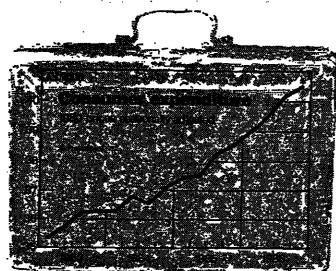
proposed tax changes:
The main tax changes proposed in the Budget are summarised below. A full list of changes is given in the accompanying table.

Income tax: The basic rate of income tax will be reduced to 27 per cent.

The main income tax personal allowances will be increased in line with the statutory indexation provisions (based on the increase of 3.7 per cent in the RPI in the year to December 1986). This will mean that: the single person's and wife's earned income allowances will rise from £2,385 to £2,425; the married allowance will rise from £3,855 to £3,795; the age allowance will rise from £2.850 to 2.960 (sincle) and from £4,505 to £4.675 (married) and

Vehicle excise duty: The rates inheritance tax purposes in the futty on farmers' heavy goods shicles over 7.5 tonnes will be full listing on the Stock Excreased by between 5 and 24 of duty on farmers' heavy goods same way as companies with a vehicles over 7.5 tonnes will be full listing on the Stock Exincreased by between 5 and 25 change.

Business taxation: The small companies' rate of corporation to £85 for cars and £17 for tax will be reduced to 27 per



over the continuence of the reduction to £3.070 (single) and £4.945 (married).

The allowance for the bird will be increased from £380 to £550.

Car benefit scale charges will be example from £380 to £550.

Car benefit scale charges will be example from £380 to £550.

Frofterelated pay: An income far relief will be introduced for employee; in profiterelated pay (PRF) schemes which meet car relief will be introduced for employee; in profiterelated pay (PRF) schemes which meet car relief will be introduced for employee; in profiterelated pay (PRF) schemes which meet car fain conditions and which have been registered with the Inland Revenue. The maximum amount of PRF eligible for relief will be income for the feeth.

Excise duties: The duty on unleaded perior will be resured for the differ, and interest will be abolished.

The rates of duty on unleaded perior will be resured for the offert, and interest will be abolished.

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The rates of duty on unleaded perior will be refused from the feeth of the offert.

The allowance for the bird of the feeth of the dates and the duty of the care will be exceeded from the date the option of the care will be changes in the tax treatment of companies copial gains. They will be exceeded from the feeth property in which there is an interest will be changes in the tax treatment of companies copial gains. The treatment of companies are copial gains. The feeth property in which there is an interest will be changed the w half the eligible smount.

Excise duties: The duty on unleaded petrol will be reduced by the equivalent of about 5p a pallon (including VAT).

On-course betting duty will be abolished.

The rates of duty on gaming machine licences will be increased by between 25 and 28 per cent.

The rates of duty on gaming machine licences will be increased by between 25 and 28 per cent.

The rates of duty on gaming machine licences will be increased from 30 to 50 per cent.

Solution of the offeror.

From Budget day, the rate of holdings of more than 25 per cent (other than control holdings) in unquoted companies will be increased from 30 to 50 per cent.

Solution of the offeror.

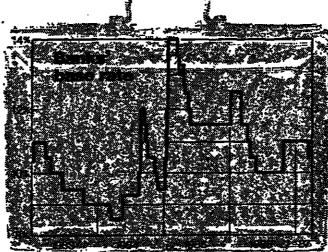
From Budget day, the rate of holdings of more than 25 per cent (other than control holdings) in unquoted companies will be increased from 30 to 50 per cent.



motor cycles. A new taxation cent. The rate of advance cor-

that loan. This rule will apply to existing loans with effect from April 1 1988. From April 1 1987 dual resident companies will not be allowed a double deduction for interest payments. This change

will not apply to trading com-



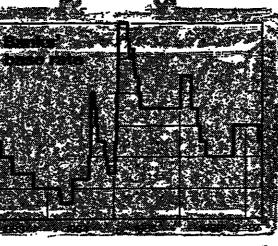
INCOME TAX THRESHOLDS

Taxable income 17,901-29,400 20,401-25,400 25,401-33,300 33,301-41,200 Over 41.200

and File, to streamline the allowed limited carry-back of assessment and collection of corporation tax. The scheme will be implemented when the necessary computerisation is ring-fence company owned by Oil taxation: Two relaxations

elect to have up to 10 per cent of the costs of developing cer-tain new fields set against their petroleum revenue tax (PRT) liabilities on existing fields; certain research expenditure which is not specifically related to a particular oil field may after three years be set against PRT liabilities in any field.

allocating oil allowance. Legislation will be introduced fence profits. It is proposed that reform of social security, a new



INHERITANCE

Rate of	tax .	Band of chargeable value
per ce		£000
		0-90
36		90-14 0
40	**********	140-220
50		220-330
60	********	Over 330

for a new scheme, known as Pay such companies should

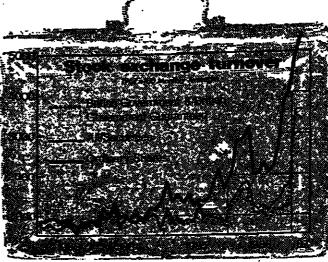
the venture. Where an oil extraction comof the expenditure relief rules pany uses the issue of preference proposed: companies may which is not used for oil extrac-tion purposes, there will be restrictions in the extent to which ACT paid on certain divi-dends on those preference shares can be set off by the company against ring-fence pro-

PRT liabilities in any field.

A minor technical change is also proposed to the rules for allocating off allowance.

Duminess Expansion Scheme: Two changes will be made to the Business Expansion Scheme: for investments made in the first half of the scheme: Business Expansion Scheme: llocating oil allowance.

One effect of Section 16 of part of the raise to part of the raise One effect of Section 16 of part of the relief to be given the Oil Taxation Act 1975 is to for the previous year; the rules restrict the ability of oil compoverning the special relief for panies to set off payment of film production will be relaxed. ACT against tax due on ring- Pensions: In the light of the



A number of changes in current pensions law and prac-tice will be made to counter

certain types of exploitation, particularly by high earners. These include a limit on lump

sums of £150,000; changes in the rules on "final salary" for pension purposes; changes in the rules relating to accelerated

Training: Employees who are about to change their jobs will

be exempted from income tax on the cost of training in new

Employee share schemes: The

in the case of individuals, and from £3,150 to £3,300 in the case

Lleyd's: reinsurance to close:

accrual of benefits,

employer,

sions (i.e. pensions taken out by an individual independently of his employer) will be introduced, to replace and extend the present, broadly similar, legislation for retirement annuities. The new regime will come into effect next year. The main features will be: benefits based on the actual re-

turn from invested contributions (money purchase); no limits on pension benefits; a taxfree lump sum, subject to a limit; annual contributions limited to 17.5 per cent of earn-ings (more for people over 50) with employers free to contri-bute within the limit; tax relief for contributions, tax exemp-tion for fund income and gains. Employees will be able to contract-out of the State Earnings Related Pension Scheme (SERPS) by joining a personal pension scheme, to which the DHSS will pay a minimum contribution.

contribution. Employers will be able to establish simplified occupational schemes which may be "final salary" or defined contribution." Under the new social security rules, the latter may be

contracted out money pur-There will be greater transcial traders. These proposals will affect the tax treasment of Lloyd's reinsurance to close and will first apply to premiums payable in respect of the 1965 Lloyd's account closing at December 31 1987,

PAYE and subcontractor schemes: Changes will be made to the PAYE and subcontractor deduction schemes, including the charging of interest where formal assessments have had to be made of tax deducted under these schemes. This follows recommendations of the Reigh

VAT: From March 16 1967 the registration limits will ber £21.300 per smum and £7,250

per quarter.
Subject to the Government's obtaining the necessary derogation from the European Com-munity, businesses with sunnis turnover below £250,000 are to be given the option of account-ing for VAT on the basis of payments received and made. This optional system of cases accounting is intended to come into effect on October 1 1987. an optional system of atmost accounting for VAT is to be introduced with advance payments based normally on the previous year's tex so that build nesses with annual tumover below £250,000 would need in send only one return to Gusto The period within which buileach year.

nesses must notify and be resis-tered for VAT will be extended work skills provided by their to 30 days. The simpler VAT schemes for option schemes will be changed retailers will be made available to make it possible, in the event for use by many more small and of a takeover, for participants to exchange their existing share options for options over change the control of the c

exchange their existing share options for options ever shares in the acquiring company.

Capital gains tax: The capital gains tax annual exempt amount is to be increased in accordance. petition. VAT relief for charities will is to be increased in accordance with the statutory indexation provisions from £6,300 to £6,600

be extended to certain welfare vehicles used by hospices to transport the terminally III; to of most trusts.

The ceiling for retirem t fication equipment used by relief will be raised from rescue and first aid services; to \$100,000 to £125,000.

Lievd's: refreement. Members of occupational pension schemes will be able to pay additional voluntary contributions—on which tax relief will be available up to the present limits—to arrangements outside

DIRECT EFFECTS OF CHANGES IN TAXATION

	T-elsed	effect on a	£m		<u>Fetimeter</u>	effect on a	eceinte in	- 		effect on 1			Estimated	effect on	ecelpts #
	19	47-86				67-88		•	19 Changes	e7-86	1988-89	· · · · · · · · · · · · · · · · · · ·	Changes		1965-6
	Changes from a	Changes			from a		Change	l .	from 8	Changes from an	Changes from an		front &	from an	from a
	DON-	trom en			non- bexebni	indexed	from an		füqesæq	indexed	indexed		Indened	indexed	Indexe
	PERS.	5480	. psee		Dese	D600	5ass 25	90 Duilding sociation makes of com-	base	bese	2055	58 Annual accounting for small busi-			
INLAND REVENUE	`			19 Personal pensions	:	:	25 40	38 Building societies—groups of com- panies and capital gains		•		nesses	. 🚢	-	25
Income tax			•	29 Other pensions changes	*		- 450	39 Pay and File	_		_	59 Simplified retail schemes	· · · · ·	· · ·	
I Reduction of 20 in basic rate	-1910	-1,910	-2.690	22 Keith Committee—PAYE and subcou-				40 Amendment to controlled foreign com-				60 Removal of loophole on imported ser-	- T		4.5
	4,010	240.40	2,000	tractors	+5	,+5	+45	panies legislation	+10	+10	+10	61 Reliefs for charities	5	-5	-5
2 Increase in single allowance of £90 and married allowance of £140	-610	٠ _	_	23 Interest payments between related	_			Corporation tax and capital gains tax				Excise duties			
3 Increase in additional personal allow-	944	_		24 Increase in exemption limits for trade	•	•	•	41 Financial futures and traded options						-98	30
ance and widow's bereavement allow-	_		•	union provident funds	•	•		Oil taxation				62 No change in rate of spirits duty 63 No change in rate of beer duty	_ =	65	
ance of £50	-5	_	_	25 Capital allowances - extension of				42 10 per cent cross field allowance			-15	64 No change in rate of duty on cider	·		
4 Increase in age allowance of £110 (single) and £170 (married) and				assured tenancies relief	•	•	•	43 Petroleum revenue tax relief for			-14	and perty			•
income limit of £400	-80		· _	26 Relief for the costs of training				certain research expenditure		-	_	65 No change in rates of wine and made-		-	
5 Further increase in age allowance of				Income tax, corporation tax and capital				44 Oil allowance—final adjustments	*		*	wine duties	_	-20	20
£110 (single) and £170 (married) for				gains tax				Capital gains tax				etc	_	190	-210
those aged 80 and over	-10	-10	— 10	27 Securities-Financial Services Act con-				45 Indexation of annual exempt amount				67 No change in rate of duty on derv		56	-55
of £180	•		•	sequentials				46 Retirement relief	_	_		68 No change in rates of minor oil duties	• 🕳	-5	-5
7 Increase in basic rate limit of £700 to				Income tax, corporation tax, capital gains				Inheritance tax				69 No change in rates of tobacco pro-		- 70=	110
£17,900	-60	· —.	· —	tax, inheritance tax and stamp duties				47 Changes to rates and bands	00	-75	-170	ducts duties		~ 111 2	-110
a Changes to further higher rate	_	1.45		28 Unit trusts—Financial Services Act consequentials		_		48 Business relief and Unlisted Securi-	74	-10	-1.0	leaded petrol			
thresholds	-3	+ ₩.	. 450 —20					ties Market ,	*	•	•	71 Abolition of on-course betting duty	-20	20	20
10 Fringe benefits—car scale			+39	Corporation tax				49 Abolition of lifetime charge on in-	_	_	_	72 Increase in rates of gaming machine			· ·
11 Income support usid to the unem-				29 Reducion in rate of ACT to 27/73rds	***	550	100	terest in possession trust property 50 Heritage maintenance funds		•	:	licence duty	+ 29	+20	+20
ployed and to strikers	_	_	•	of the amount of the distribution 39 Reduction in small companies' rate to	-290	-290	-130	51 Property accepted in lieu of tax		•	·	TOTAL CUSTOMS AND EXCISE	+180	-275	-140
12 Approved employee share schemes—				27 per cent	•		45	Stamp duties				Vehicle excise duty	-		
takeovers	•	•	•	31 Harmonisation of payment dates for			_					73 No change in VED on car, light van			
in donation limit to £120 a year	•	•		Corporation tax	•	•	± 100	52 Changes to stamp duties and the re- serve tax				and main lorry rates	_	95	-100
14 Legislation on Lloyd's reinsurance to				22 Taxation of indexed gains in full at normal corporation tax rates			3.00	TOTAL INLAND BEVENUE	-3.080	-2.265	-2.270	74 Increases in certain other VED rates	··· +5	+3	·· +5
close	_		t	33 ACT set-off against tax companies'	•	_	780				 _	75 Recovery vahicles			
15 Apportionment of income etc of close companies						•	20	CUSTOMS AND EXCISE Value added tax	_			Other		- **	· . TD
16 Foreign partnerships—removal of pos.	-	•	_	gains 34 Dual resident companies—non-allow-								77 Bus fuel grants		1.0	+5
sible anomaly	•	•		ance of double deduction		•	+125	53 Revised treatment of tour operators'			1.00	11 Des rem Brand upplementingerieferiefe	- .	. 70	Te
Income tax and capital gains tax				35 Foreign withholding tax on interest received by banks	•		⊥ 20	margins 54 New rules on deduction of input tax	-	_	+20	TOTAL VED AND OTHER			
17 Business Expansion Scheme changes	-5	-3	-5	36 Relaxation of set-off of surrendered	•	•	TEU	by partly exempt traders	+300	十300	+400	MODEL OFFICE OF BETTERS	+5	-85	- 55
18 Amendment to offshore fund rules	•	•	:	ACT against ring fence profits	~20	-20	~20	55 Cash accounting for small businesses	-100	-100	-10	TOTAL CHANGES IN TAXATION	· 2,895	-2,625	-2,945
Income tax and corporation tax	·			37 ACT set-off against ring fence profits				56 Increase in registration limits	4	==	~	" = Negligible, = N	III.	•	3
		<u>:</u>		(certain preference share dividends)		_	+15	57 Revised registration requirements	-15	-15	-25	† Details of measure subject to consultation, so no	ratimate :	possible a	present
	-														

1 The basic rate will be reduced from 25 per cent to 27 per cent to 27 per cent to 27 per cent to 28 per cent t

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هكنامن الدُمها،

REVENUE CONSULTATIVE DOCUMENT

Review announced of avoidance in company share schemes

AFTER the Chancellor sat underlying purpose. The re-

The Chancellor has announced a review of section 79 FA 1972, in the light of which he will consider whether it is possible to bring forward proposals for improving and simplifying this legislation consistent with its underlying purpose. This note explains the proposed review and invites representations from companies, their advisors and professional bodies with an interest in this bodies with an interest in this

Section 79 is an important anti-avoidance provision. It is concerned with the situation where companies pass to their employees benefits—in the form of share or share related incentives—which in reality are part able tax avoidance. It was, but which are dressed up as to introduce legislation which the charge to income tax on that remuneration. that remuneration. For this purpose it charges to income tax any growth in the value of number of occasions to counter shares (or an interest in shares) acquired by employees or direcfors by reason of their employ-ment where the shares are subject to certain kinds of defined restriction, or are of a class that restriction also brings into tax dos not apply to shares which restriction other benefits which employee shareholders may receive from the company in timited exceptions, does it apply to shares which they acquire as ordinary investment. But it is also brings into tax dos not apply to shares which they acquire as ordinary investment of their shares, where they acquire as ordinary investment of an associate company receive from the company in limited exceptions, does it apply to shares of the same class (again excluding shares held by or for the benefit of an associate company receive from the company in the capacity.

The section applies where employees in that capacity.

The "centrol test," which requires that the majority of shares of the same class (again excluding shares held by or for the benefit of an associate company in the company i chargeable to income tax. But scheme. it does not in general affect

numerous representations about the operation of section 79. It value of the shares but which has been criticised for its length and complexity. Some have suggested that the provisions

down, the following statement was issued by the Inland Revenue with the assistance of a small informal group for outside practitioners who have expertise in this area, and nounced a review of section 78 has will consider whether it is not consultative document. If it is possible to bring forward proposed for improving and simple legislation consistent with its underlying purposes. The instance of a small informal group of outside practitioners who have expertise in this area, and not explain the light of the outcome of possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for improving and simple possible to bring forward proposed for the constitutive document to the holding of options over the constitutive document to the holding of options over the constitutive document to the holding of options over the holding of options over the constitutive document to the holding of options over the constitutive document to the acquisition of an interest in shares led on the employee's improved. The charge applies to the acquisition of an interest in shares led on the employee's in this case where the shares are subject to the defined intention. Ascende in tures were designed intention tures were designed intention of the employees and directors. But they would not the emplo Section 79 had its origin in a

need to counter a variety of share incentive arrangements which were developed in the 1960s to comfer benefits on directors and employees free from income tax. These were becoming widespread and there becoming the second of the counter such avoidance. The original provisions have subse-quently been extended on a use of various more sophisti-cated avoidance devices that have emerged from time to emerged from time to

The section applies where em-

it does not in general anect normal shares in which employees or directors invest on normal terms.

There have however, been the security received the shares in question are subject to certain special restrictions, of a kind that might The section focuses on two

There are two major exemp-

there are two major exemptions from the growth in value cherge, designed to exclude from its ambit what are essentially "normal" shares acquired on "normal" terms. There is no growth in value charge where, immediately after the acquisition the shares are the acquisition, the shares are not subject to any of the pre-

■ The "majority test", which requires that the majority of shares of the same class, exclud-ing shares held by or for the benefit of an associated com-pany, were acquired otherwise than by the employees or dir-

quires that the majority of shares of the same class (again excluding shares held by or for the benefit of an associate company) must have been acquired by present or past employees or directors of the company concerned (or of a subsidiary), and who as holders of those shares were able to control the

Where either of the above tests is satisfied, and the shares are not subject to the defined kinds of restriction, there is unlikely to be scope for abuse.
For example, the "majority test" is likely to deter companies whose real aim is to confer special benefits on their suggested that the provisions are too wide-ranging, and penalise bona fide arrangements. Others suggest that the provisions are in some respects in need of tightening up.

The aim, therefore, is to conduct a thorough review of the company to provide section, and to consider the scope for improvement and simplification consistent with its suggested that the provisions are too wide-ranging, and shares to that of the company's panies whose real aim is to confer special benefits on their density only be clear in the light of what is done with the share are not subject to any of the defined only be clear in the light of only be clear

another such share. Some possible changes for consideration:

Many criticisms are of a general nature. The section has, for example, been criticised for being too complex; though others have questioned whether this is unavoidable given the diversity and complexity of scribed restrictions (or exchangeable for shares subject
to such restrictions) and one or
other of the following tests is suggested that it is too restrictive, and others again say that it is not restrictive enough. While general criticisms of this kind need to be considered carefully it will clearly also be desirable to try to focus in the review on specific points of dif-ficulty and on possible solutions for dealing with them. One suggestion that is some-

times made is that the section should be replaced altogether with provisions specifically de-signed to operate only in cases that were motivated by avoidance or abuse. There are a number of provisions in the exist-ing tax code based on some kind of motive or main pur-poses test. Experience suggests, nowever, that such tests are in practice not easy to operate and carry significant compliance costs for all concerned. There could be particular difficulty and uncertainty where (as in a

employee, the charge on growth in value of the shares over a period should be replaced by an immediate charge, at the time of acquisition, based on the difference between the unrestricted market value of the phares and their control to him. shares and their cost to him. Ihis, it is argued, would be more equitable in cases where the restrictions in question have an insignificant effect on all of the subsequent growth in value on the shares (not just that associated with the restric-

tions (is chargeable to income tax under section 79(4). In exploring this approach a number of issues would need to be considered. For example, not all restrictions are of the kind that would necessarily depress the value of the shares at the time of their acquisition — their effect, rather, might be to allow the shares to grow in value by more than other shares of the same class. The approach adopted would obviously need to be effective in dealing with this kind of situation as well. It might also in practice be difficult to quantify with any precision the extent to which the value of the shares on acquisition had been depressed as a result of the particular restriction in question. Again it would be necessary to devise workable solutions to this problem.

Another area of difficulty some have experienced with number of types of situation section 79 concerns shares discussed in this note) the acquired by employees in a nature of the transaction will company that is a subsidiary of

speaking, therefore, section 79 is likely to apply to shares in a subsidiary company acquired by its employees under an unapproved scheme — even if

there is no abuse.

The position of a subsidiary company's employees in rela-tion to section 79 is obviously, therefore, another area for consideration in this review. One difficulty, of course, is that it is precisely where there is a parent/subsidiary relationship that the potential for abuse of the kind at which section 79 is aimed — is greatest. The aim, therefore, will be to seek ways of targeting the charge more narowly on cases involving actual abuse, but which do not at the same time impose excessive administrative and compliance burdens on com-

panies concerned. It has also been suggested that the provisions can cause difficulties in relation to some managment buy-outs, or on a reconstruction or merger of section can place constraints on the structure which may be used in such reorganisations, if share benefits are to be given to employees which qualify for examption under either the "majority" or the "control" test. In practice, however, it should normally be possible with reasonable forward planning for companies in this situation to avoid any diffiinis situation to avoid any diffi-culties that might arise in satisfying one or other of these tests. In the straightforward case where existing manage-ment retains control of the company, the "control" test would normally be satisfied as a matter of course. Nor should there be any problem where employees receive unrestricted shares which are identical to shares held widely by non-employees. But it may be that there are other genuine diffi-culties that can be identified, in which case these too need to be considered carefully in the

suggestion is that where a new company is being created a distinction might be drawn between, on the one hand, those who are genuinely the promo-ters or entrepreneurs of the company and on the other hand, the other directors and em-ployees. One obvious point that would need to be considered here is whether it would in practice be possible to make this kind of distinction, without at the same time opening up new opportunities for wide-spread abuse.

Finally, concern has been expressed by some about the need to tighten up the present options over shares in the exemptions. In particular, it has been pointed out that in order to qualify for exemption, the "majority" or "control" tests need only be satisfied for exemption, the satisfied for exemption that it is need only be satisfied for exemption the satisfied for "material interest" provisions a moment in time immediately after the shares have been acquired. This is open to obvious abuse and it has been suggested that the rule might be strengthened to require that these conditions should be satisfied for a continuous period of, say, two years following the acquisition. Others may feel, however, that this would be unduly restrictive and perhaps not always practi-cable anyway. One alternative, therefore, might be an approach targeted in some way more on the particular kinds of arrangement that might be employed where the object was to satisfy the tests only temporarily in order to qualify for

invited on the above points, and more generally on the scope section 79 FA 1972 consistent with its underlying purposes. Comments are invited as soon as possible, and not later than

sible to identify the kinds of arrangement in question and to

May 31, 1987. Respondents are asked address their writing to Inland Revenue New Wing, Somerset House,

Exchange of share option planned for employees in takeovers

AFTER the Chancellor sat down the Inland Revenue issued the following statement:

The Chancellor proposes in his Budget to make it possible for employees in a company which is taken over to exchange their existing share options under an approved scheme for

"material interest" provisions that apply to employees and that apply to employees and directors in close companies. These changes will, among other things, facilitate the smooth running of approved share and share option schemes. Exchange of options under approved schemes:

When a company with an approved share option scheme is taken over by another company, it may be possible for employees of the target com-pany to exercise their options prematurely, or to continue to hold them to maturity, depend-ing upon the provisions of that particular scheme's rules.

At present, however there is exemption. (This assumes of no statutory provision that course that it would be pos-would enable the employees of sible to identify the kinds of the target company to exchange distinguish them from other over shares in the acquiring bona fide arrangements). company. The change proposed will make this possible in Comments and suggestions are future, subject to certain conditions

> This change - which meets representations on the point will help where the acquiring company wishes to encourage the employees of the target company to continue to work pany in its new circumstances. Their commitment will be to the new corporate parent as well as to the target company. The proposed facility will be available on the footing that scheme participants will be no worse off and no better off than if the takeover had not occurred, and they had simply continued with their existing options over shares in the target

oil. There is already some scope to rectify this imbalance in the last period for which any allowance is due, but the margin for adjustment may not always be sufficient. The Chancellor therefore proposes to allow participators further scope to balance and which cannot be set against a control of another UK resident and which cannot be set against a control of another UK resident and which cannot be set against and which cannot be set against ring fence which there is already some scope to delice or from oil rights, measure along the lines of the rule which already exists for replacement options will have to continue to be governed by the rules of the replacement options will have to continue to be governed by the rules of the target company under the company in respect of any dividend paid on or after today, control of another UK resident company will not be available rights attaching to the options. To qualify, therefore, the for offset against ring fence which they had hitherto CT unless the capital can be enjoyed). A further condition shown to have been applied by will be that, at the time of the the company in carrying on its exchange, the value of the ring fence activities. This options being given up must be equal to the value of the options being acquired.

> Close companies: approved employee share schemes and interest relief:

This concerns some minor technical changes to the rules for deciding whether, where shares are held in a trust, an employee or director has a "material interest" in a close company, and consequently whether he can participate in an approved employee share scheme, and obtain interest relief on loans for purchasing the company's shares,

The main proposals were announced on November 13 1986 by the Financial Secretary to the Treasury, Norman Lamont. Some further small changes

are also proposed. Shares held by the trustees of a Finance Act 1978 approved profit sharing scheme pending appropriation to individual employees will not be reckonable for purposes of the "material interest" test when material interest determining eligibility to participate in any employee chare scheme, or for other share scheme, or for other matters including interest relief. (The legislation has always been operated on that footing, but this proposal will confirm the position.)

In testing for approved share option scheme purposes whether an employee or director has a material interest in a close com-pany, all options over shares in the company held by him will be reckonable as part of the test. This confirms existing pub-lished practice, and is for the avoidance of doubt.

One or two other minor changes are consequential upon those already announced. Full details of all these proposals will be available in the

Finance Bill. Unapproved employee share schemes -review of Section 79, Finance Act 1972:

The Chancellor has announced a review of Section 79, Finance Act 1972—which contains wide - ranging antiavoidance provisions relating to

improving the provisions, consistent with their underlying The review will be carried out by the Inland Revenue with

the assistance of a small informal group of outside practitioners who have expertise in this area. As a first step, views are being sought from all interested parties, and to this end the Inland Revenue yesterday issued a short consultative document.

PRT reliefs aimed at providing opportunities for offshore supplies industry ACT against the CT on its income from oil extraction activities or from oil rights. Subject to conditions, including rule which already exists for a manuage limit the responsed lane capital. ACT of disident ticinators' mimulative shares of

The Chancellor proposes in his Budget, two further reliefs a new offshore field outside from petroleum revenue tax in Southern Basin immediately (PRT). These are designed to encourage developments in the North Sea to go ahead and so provide further opportunities in another field. Qualifying expenditure is broadly expenditure agreed as qualifying for the offshore supplies in for the offshore supplies in-dustry. The proposals are:

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a to allow up to 10 per cent of any qualifying develop-ment expenditure incurred in developing certain future fields to be offset against PRT liability in any field and b to allow certain expenditure on oil related research which does not at present scalify for PRT relief, to be offset against a participator's PRT

Other measures of a more technical nature are also proposed.

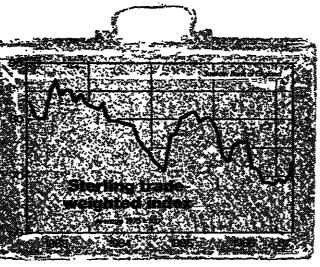
Allowance (item a). 1. It is a feature of the petroleum revenue tax that partici-pators generally get full relief for expenditure on a new field exploration and appraisal expenditure, the cost of developing an oil field can be claimed against the PRT liability only for that field itself. In the light of the country of the country

19 per cent Cross Field

AFTER THE Chancellor sat proposes that a participator down the Inland Revenue should be able to elect to set issued the following statement: off up to 10 per cent of his qualifying expenditure incurred on or after today in developing supplement in the field for which it was incurred.

This new relief, which will apply to such fields for which development consent is first given on or after today, will improve the post-tax economics of new developments and so encourage companies to proceed with projects which might otherwise be delayed. PRT Relief for Certain Re-

search Expenditure (item b) 2-Under the present PRT field basis rules, relevant research expenditure is allowable for PRT against the income from the field for which the expendi-ture was incurred. But some such expenditure, although incurred for the general purposes of oil extraction activities in the United Kingdom or on the United Kingdom Continental



allowed against a participator's liability in any field. This will bring the scope of PRT relief £100m a year, for research expenditure more Oil Allowance closely into line with that for 4—The oil allowance rules corporation tax. It will encourage general research, inter alia, into ways of reducing the cost of developments, and so make it more likely that new projects

years of being incurred, will be immediately, but in due course the measures are expected to benefit the industry by over

exempt from PRT the first quarter million tonnes of oil produced each half-yearly period, up to a cumulative total as soon as its income stream begins. But, apart from certain exploration and appraisal expenditure, the cost of developing an oil field can be claimed ing an oil field can be claimed for that field itself. In the light of the current trough in lorders for the offshore industry, the Chancellor now industry, the Chancellor now industry, the Chancellor now industry, the Chancellor now industry is considered as incurred for the begins in the resulting income and so does not quality for really the undertaken.

S—Both these measures will sevel on the classification of the carbon of the course of the lead times to proposes to amend these rules amounts are doubled for post March 31 1982 offshore in a number of ways to make their ring fence income. The Chancellor will be amounts are doubled for post March 31 1982 offshore in a number of ways to make their ring fence income. The Chancellor will be enable companies to plan and so does not quality for really the affect.

UKCS oil related research in the expectation of tax relation of tax relation for the participators in the ratio of the allowance is shared between the proposes

allowances to get out of step with their cumulative shares of oil. There is already some scope through reallocation in the last two periods of oil allowance utilisation. The new rule will apply for chargeable periods ending on or after June 30 1987. Adjustment of incorrectly allowed PRT Expenditure

5-A defect will be remedied in the rules for putting matters right where either too little or too much expenditure on such items as exploration and appraisal has been allowed. Advance Corporation Tax 8-A company's oil extraction

activities in the UK and on the UKCS are separated by a "ring fence" for corporation tax (CT) purposes from its other activities. The relevant law includes rules which govern the way in which advance corporation tax (ACT) can be set against CT on ring fence income. The Chancellor

its CT on rofite of that accounting period, to be carried back and set against its CT ring fence liability in the previous six years. 8-There will also provision to enable a member of a 50/50 consortium to surrender ACT to a company

with ring fence trading activities which is owned by the onsortium. 9—The ring fence is intended to ensure that losses and expenditure incurred outside are not offset against profits

within the ring fence. The rules apply for example to interest on loans used to finance non-ring fence activities. But the ring fence could be breached by companies raising capital for non-ring fence purposes through preference shares, rather than through loans, setting off, eg losses against the resulting income and

measure will not inhibit any financing arrangement which is for the company's UK or UKCS oil extraction activities. 10-The opportunity will be

taken to make it clear that the carrying back of ACT cannot under certain repealed provisions. give rise to repayments of ACI

11-Lastly, in the light of the changes proposed on the corporation tax treatment of capital gains, the provisions in Section 16 of the Oil Taxation Act 1975, which restrict the set off of ACT against CT liability in respect of ring fence activities, will be amended to cover capital gains on farmouts within Section 79 Finance Act 1984. Valuation and pricing

12-The Finance Bill will also contain provisions for implementing the strengthening and updating of the Petroleum Revenue Tax rules for valuing and pricing oil already an-

considered by Parker LJ to be a particularly relevant matter.

Another is that no apportion-

Inspectors' discretion to apportion income of close companies removed

following statement:
The Chancellor proposes in
his Budget to remove the
Inspector's discretion to apportion income of a close company to its shareholders. Until recently the Inland Revenue had believed that the existing legislation obliged the Inspector to make apportionments except where the amount of tax involved was small. However, the Court of Appeal said in a case last year that the Inspector had a wide discretion whether or not to make an apportionment The proposed change means that the inspector will be required to apportion except where the amounts involved are small.

Covenanted payments to charity (and other annual payments): An inspector may also apportion covenanted payments to a charity (and other annual payments) made by a close company. The Court of Appeal held that the Inspector had a discretion whether or not to make such an apportionment. Here too the Chancellor pro-poses that the Inspector will be obliged to make an apportionment except where the amount of tax involved is small. However, from 1986-87 onwards (following changes made in last year's Finance Act), the appractice affect payments under charities except where the harity itself fails to meet the making context for and it is thought that it must years because of Revenue over of the income.

Certain associated discretion.

The discretion context of paragraph and the purpose of these discretions and the purpose of these discretions and the purpose of these discretions and the purpose of the covenants by close companies to charities except where the charity itself fails to meet the conditions for tax exemption on the income.

AFTER the Chancellor's speech the Inland Revenue issued the Inland Revenue issued the following statement:

The change will apply to House of Lords in Wilson and dealt with.

The change will apply to accounting periods beginning on or after Budget Day. For earlier periods Inspectors will exercise their discretion with the assistance of guidelines which have been published today as an Inland Revenue Statement of Practice. (SP 2/87, a copy of which is attached).

On the issue of close company

On the issue of close company apportionment, the Inland Revenue gave the following guidelines to Inspectors on the exercise of their discretion within paragraphs 1 and 3 schedule 16 of the Finance Act 1972.

of a close company. Inspectors may welcome guidance on how these discretions

may be reasonably and properly exercised. These notes are intended to provide assistance and to endeavour to ensure, so far of fairness to and between tax-as it is possible, that there is payers discussed in IRC v consistency of treatment. They are, however, only guidelines. The discretions in paragraphs 2 and 3 are conferred on the Inspector personally and he can-

Garden v CIR 56 TC 279 at page 291 as: "to prevent the accumulation by close companies of undistributed profits which are in truth income and thereby the conversion of what is in truth income into tax free capital." The purpose of paragraph 3 is

considered to be aptly described in the judgment of Stamp LJ in C. & J. Clark Ltd v CIR 50 TC 103 at page 114 where he said: "you could not so organise your affairs through the medium of a company so as to escape the ambit of surtax on payments under a covenant made by the Sampson (HM Inspector of Taxes) and another. Ex Parte Lansing Bagnall Ltd that the use of "may" in paragraphs 1 and 3 schedule 16 of the same 3 schedule 16 of the Finance Act 1972 conferred on the Inspector of Taxes a discretion as to whether to apportion the income or annual payments

graph in Lansing Bagnall. The tenor of what he said is stated in paragraph 19 below.

In the case of both para-graphs 1 and 3, it is considered that the exercise of the relevant discretion is subject to the duty National Federation of Self- to justify proceeding further.

Employed and Small Business Another matter which might Employed and Small Business
Lad [1982] AC 617. It was accepted by Parker LJ in Inspector in the exercise of his accepted by Parker LJ in Inspector in the exercise of his accepted by Parker LJ in Inspector in the exercise of his accepted by Parker LJ in Inspector in the exercise of his accepted by Parker LJ in Inspector in the exercise of his accepted by Parker LJ in Inspector in the Inspector discretionary in relation to the discretionary accepted in past on the Inspector discretionary accepted in past on the Inspector discretionary accepted by Parker LJ in Inspector in the exercise of his of his head office.

There are other paragraphs is the fact that apportionment in Schedule 16 which confer in the exercise of his powers in paragraphs.

powers conferred in para-graphs 1 and 3 where it appears that the amounts involved are not worth pursuit.

The discretions conferred by paragraphs 1 and 3 are wider than the discretion derived from the Board's care and management powers under Section 1 of the Taxes Management Act 1970 which is solely concerned with good management. Nevertheless it may be considered appropriate to take into account good management in the exercise of the discretions under paragraphs 1 and 3. It would not be good management in Section 308(3) of the Taxes to pursue trivial amounts or Act. even substantial amounts if the costs of collection were going to be disproportionately high and collection itself uncertain. As indicated above, the more general discretions in para-graph 1 and 3 would allow the Inspector to take a broader view of what amounts were worthwhile than the dictates of good management. There might

be circumstances in which the tionment, that the amounts involved were not large enough Another matter which might discretion in paragraph 1 the

The Inspector may think that to the duty of fairness to other ferred by these paragraphs will ments becomes close. This was he should not exercise the taxpayers, for example, par- be exercised at the Close Com- considered by Parker LJ to be a taxpayers, for example, par-ticipators in companies which had their income apportioned each year. The amounts involved may also be a material consideration. The Inspector might also

decide not to apportion where there were special factors in the particular case. An example of this might be where very late in its accounting period an open company became close. Another, perhaps, is where it had been thought the company was open and it was found to be close only because of the very wide rules of association

In Lansing Bagnall it was held that an Inspector is bound to consider any representations made on behalf the company as to why the Inspector should not apportion in its case. It would be for the Inspector to decide what weight, if any, should be given to such representations. It is not felt that the Inspector is bound to invite representations Inspector might decide, particularly bearing in mind the sheen either clearance is being shaporsubmitted. In the event of uncertainty

as to the proper exercise of

panies Apportionment Unit. Supplementary guidances on the apportionment of annual ayments.
The Board has decided that

all cases arising under para-graph 3 Schedule 16 Finance Act 1972 will be dealt with by the Close Companies Apportionment Unit. There are certain factors and circumstances which have

no relevance for paragraph 1 to which the Court of Appeal in Lansing Bagnall considered an Inspector might hav eregard when determining whether to make an apportionment in respect of annual payments within paragraph 3. One such circumstance is where the company covenants

to particular charities because its business and reputation would suffer if it did not do so. In such a case the particle. pators themselves might wholly disapprove of the particular charity and never dream of contributing to it themselves. The Inspector might feel that in these or broadly similar circumstances there is a strong case for not making an apportionment, assuming that he has not already concluded that such payments would have been made wholly and exclusively for the purposes of the company's trade and so excluded from apportionment by paragraph 3 (2).

ment was considered in respect of covenanted payments in earlier years. This is essentially the same point as Revenue oversight referred to in the separate guidelines for paragraphs 1 and 3 but with covenanted payments Revenue oversight might itself have influenced the amounts covenanted in later years. Finally, it was submitted to the Court that it would be relevant to compare the nature and amount of the covenanted payments made by the close com-pany with those made by open companies of similar size. There are practical difficulties in making such comparisons. The comparison should presumably be made with a reasonable number of comparable open companies. Conceivably the type of business carried on and the circumstances in which covenanted

payments were made would also be relevant considerations. Whilst it is right that the Inthese factors to which the Court has drawn attention, the actual weight, if any, he attaches to them is wholly a matter for the Inspector. The guiding principles should still be to be fair as between taxpayers and to the individual taxpayers concerned on the basis that the object of the legislation is not to pena-

unapproved cfiployee share schemes. The aim is to explore the scope for simplifying and purpose.

Rules standardised on corporation tax payment dates Inheritance tax

AFTER THE Chancellor sat keeping with the broad object the Exchequer. where a company has an year in which its accounting period ends. However, its down, the Inland Revenue tives of the 1984 company tax Companies (and other bedies): accounting period of less than accounting period of less than extended to two months (where extended to two months (where extended to two months (where extended to two months).

standardise the rules relating to the date on which corporation tax is payable by companies, other bodies liable to
corporation tax and building
societies. The intention is that,
after a transitional period, in
all cases corporation tax will be
payable nine months after the
end of the accounting period
for which it is chargeable.

The database of payable transferred
the database of the company taken
profits of the company taken
profits of the company taken
the database transferred
the data on which a company has been
able to delay payment of tax
on its profits. It has been able to
do this by taking over a
company which has a longer
payment interval and fransferred
payment interval payment
payme for which it is chargeable.

The standardisation of payment intervals in this way will building those arising from the activities transferred to it, so giving the company put all companies and building an enduring timing advantage. Standardisation of payment introduced the present payment training advantage arrangements and thus is in the source over the abuse with its potentially very significant cost to

corporation tax is payable by The Chancellor proposes to It will also prevent an abuse corporation tax is payable by standardise the rules relating by which a company has been companies varies from nine to 21 months after the end of the accounting period for which it is chargeable. The Chancellor ment interval at nine months for all companies. The change to the new payment date will be phased in over a period of three years during which the payment interval will be re-duced to nine mouths in three equal steps. These transitional arrangements will begin with a company's first accounting period starting on or after

Building societies: For building societies with

payment intervals of more than nine months, the arrangements will be the same as for companies.

Some building societies have payment intervals of less than nine months. For these the transitional arrangements will be different. The transition will normally be spread over a period of up to two years, starting with accounting periods ending in the 1939-90 tax year. For these accounting periods a period of these accounting periods a period of the period of th society's payment interval (under Section 344(2) (a) of the Income and Corporation interval

extended to two months (where it would otherwise be shorter); and for accounting periods ending in the following tax special provision (Section year the interval will be extended to nine months. These special arrangements are special arrangements are special arrangements are designed to ensure there is no cost to the Exchequer in any year during the transitional period from the standardisation

of payment intervals.

In some cases, the existing rules for building societies require a society to pay corporation tax before the end of its accounting period. Typically, where a society has a payment interval of less than nine interval of less than nine months its corporation tax is due on January 1 in the tax

payment of corporation tax, typically on January 1, with the final liability being calculated later. Once societies have moved to a nine month payment interval, these pro-visions will cease to apply. But for accounting periods ending in the tax year 1989-90, the due date for the provisional payment will be two months after the end of the accounting period, if it would otherwise be

starting point to rise by £19,000

AFTER THE Chancellor sat Anti-evoldance provision of the inland Revenue. The legislation will issued the following statement: measures to prevent. Inheritance tax: The Chancellor proposes in his Budget • to raise the starting point for inheritance tax (IHT) from £71,000 to £90,000

holdings in unquoted companies to treat USM holdings as quoted for all IHT

purposes

• to improve the tax arrangements for the protection of heritage property.

years preceding the transfer or which relief is due.

The new rate of relief is to be evailable for transfers made on or after March 17, 1937. heritage property. Threshold and rates of tax:

inheritance tax from £71,000 to will, to reflect the development £90,000, and to replace the of the USM, be treated for present 7 rates of tax with 4. business relief and all other The proposed scale and the IHT purposes in the same way

The proposed scale and the existing scale are shown in the table.

The revised scale is to apply to transfers on or after March ness relief will be available for 17 1987. These changes are more generous than the increases that would have resulted from the requirement lags which gave the transferor for statutory indexation. Under that provision, the starting point and thresholds would have been increased by 3.7 per cent—the increase in the RPI listing or that are not dealt in for the year to December 1986 —to make the starting point The National Heritage:

The Changelor proposes in the same way as shares in companies with a full listing on the USM.

The National Heritage:

The Changelor proposes two measures to help to protect the

to make the starting point for paying IHT £74,000.

Interest in possession trusts:

The Chancellor proposes two measures to help to protect the measures to he an immediate charge at half the full rates. The proposal applies to transfers made on or after

issued the following statement amount of tax payable by a after the Chancellor's speech: basic-rate taxpayer. (The basic Income tax and VAT: benefits rate used is that amounced in kind. Car and car fuel for 1987-88 in the Budget—27 cer the Chancement ax and VA1.

A kind. Car and car respectively to the chancellor proposed in his Budget that the scale charges or taxing company cars provided for directors or provided for directors or "higher-paid" employees will be increased for 1988-89 by 10 be increased for 1988-89 by 10 per cent.

The proposed affect the liability to directors and those employees earning at a rate of £8,500 a in year or more (including the ivalue of any benefits etc), who by reason of their employment are provided with cars which are available for private use. The taxable cash equivalents of company cars and fuel used private motoring are continued to the cash equivalents. per cent. The actual rate for Transfers into trust; 1988-89 may be different). No immediate No immediate liftetime the alteration needs a Court charge on a gift made by as Order. The exemption will individual if the gift is into apply to deaths on or after a trust under which another March 17, 1987.

The rules for the charges charge on a gift made by as-individual if the gift is into a trust under which another individual has a beneficial interest in presented in the

sion. Transfer out of trust: of an individual's beneficial existing maintenance fund interest in possession in trust exemption. The alternation will property if on that event apply to charges arising on or another individual becomes beneficially entitled to the property in which the interest subsisted, or to an interest in

vidual's estate is increased. Transfers within seven years of Transfers made within seven

rate; they will be potentially exempt transfers (PETs).

Rate of Tax

The legislation will include measures to prevent the mini-misation of the charge on transfers to discretionary trusts through the use of short term interests in possession. Change in Business Belief:

fri,000 to £90,000

• to simplify the rate structure by replacing the present 7 rates of tax with 4

• to extend exemption for lifetime gifts to certain gifts involving interest in possession trusts

• to increase business relief on substantial minority shareholdings in uncertainty shareholdings of the increase business relief or substantial minority shareholdings of more than 25 per cent but not more than 50 per cent provided that the transferor has mainthat the transferor has main-tained a shareholding of over 25 per cent throughout the two years preceding the transfer on

From the same date, shares in companies dealt in on the Un-The Chancellor proposes to companies dealt in on the Unincrease the starting point for listed Securities Market (USM)

the property is held are altered after his death so that it goes into a heritage maintenance fund within two years. A further year will be allowed if

individual has a beneficial The rules for the charges interest in possession in the when property leaves a maingified property, or the nance fund for non-heritage if the gift increases the purposes will be based on the value of trust property in cumulated chargeable giving of which another individual has the former, life fenant. This a beneficial interest in posses, alteration will also apply to former "interest in possession" property that entered the first in the former of the trust of the time. No immediate lifetime charge on the termination of that in-on a disposal or termination terest with the benefit of the

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after March 17 1987 Acceptance in Lieu: People who offer heritage property in lieu of inheritance possession in that property, or tax on other property will be that property becomes subject to an accumulation and offset against tax calculated by maintenance trust, or trust for the disabled; or the value of another indicated of its value at the date of the date. instead of its value at the date of acceptance. When this option is chosen, interest on the tax

will cease to accrue from the date of the offer. years of death will generally Details of the changes: remain taxable at a tapered The Finance Bill to The Finance Bill to be published next month will give further details of these changes.

Proposed scale

140-220

220-330

Above 330

'Pay and file' scheme aims at streamlining administration

AFTER THE Chancellor sat laborious, costly and time-down the Inland Devenue wasting process, criticised by issued the following statement: the Keith Committee, of an The Chancellor proposes in his Budget to introduce the legislative basis of a new the company, agreement on the scheme (referred to as "Pay and File") which when implemented will streamline the administrawill streamline the administration of corporation tax.

settlement of the actual liability.

tion of corporation tax.

This proposal was identified for early consideration in the 650,000 corporation tax assess-consultative Document "The ments, of which some 420,000 or 65 per cent had to be estimated and against some 400,000 of which speeals were lodged.

The recommendation of the actual liability. In 1986, the Revenue made some 650,000 corporation tax assessments, of which against some 420,000 of which appeals were lodged. to the recommendations of the Ceith Committee.

The introduction of Pay and

File is part of a wider programme of modernising and streamlining tax collection, which includes major develop-ments in the Inland Revenue's computer systems. At present, many company

accounts are not received in PROPOSAL: time to agree tax liability before The Chance

The committee's proposed solution — reducing the period for delivering accounts to six or seven months—was regarded as impracticable by representative bodies commenting on the committee's recommendations. Pay and File offers an alternative automatic flat rate penalty.

and practical solution.

—If the return and account DETAILS OF THE

The Chancellor's proposals con-

-A company will be required to pay corporation tax on a fixed date (9 months after the end of its accounting period), whether or not an asser -Interest will run from the same fixed payment daet on any tax paid late by the company or tax repaid by the Revenue to the company. The "File" element:

-A company will be allowed 12 months, from the end of the period to which it makes up its tax accounts, in which to supply its return and thos accounts. -If it fails to send in the return and accounts within that time it will-unless it can show a reasonable excuse—incur an -If the return and accounts have not been supplied by 18 period in respect of which the

increase to 20 per cent if the return is still outstanding two years after the end of the return

—These penalties will be chageable by assessment, with the taxpayer having a right of appeal against the assessment.
These changes will take effect when the new Inland Revenu computer systems now being developed are operational. In the course of consultations, recommendatives of business and professional advisors emphasised the need on their pare for the new arrangements. The new payment, interest and penalty arrangements will accordingly not come in before January 1992,

Changes to the Pay and File proposals following consultation:

Civil List

Royalty's

allowance

to rise 4.5%

THE CIVIL LIST, the annual

government payment to cover the Royal Family's official ex-

penses, is to rise by 4.5 per cent, in line with inflation.

the total goes up to £5,681,200 from £5,400,600. However,

because the Queen contributes

from her private funds to cover the expenses of the Dukes of

Gloucester and Kent and Prin-cess Alexandra, the final total payable by the Treasury for the coming year will be £5,289,500, compared with £5,045,000.

the Queen's private secretary to

palace cleaners. Apart from salaries, the main items are

office stationery and supplies,

running the royal kitchens, maintaining furnishings, cars

and carriages, and staging Buckingham Palace garden

For the new financial year,

period"), the company will As a result of representations incur an additional penalty of and consultations, these pro10 per cent of the tax due but unpaid at that time: this will in the recent consultative document in a number of ways: -The late filing penalty for corporation tax returns and accounts, which has been criticised as too complicated, has been re-vamped. The new proposal is that:

end of the return period. It then unpaid, but rise to 20 per cent if the return and

compared with £5,045,000.

More than 75 per cent of the fuel benefit scales proposed for order. It is proposed that Civil List allowance goes on 1988-89 (1987-88 figures in orders increasing the car salaries, to people ranging from brackets where these are benefit scales will be laid

two years after the end of the return period. —The penalty assessing clauses as published in the consultative document, which were originally drafted for a wide range of penalties, are being modified to apply for the present only to the corporation tax return late filing penalty.

The due date for payment of tax chargeable under Section lished draft clause will be 286 ICTA 1970 (close comreplaced by a simpler lump panies: loans to participators sum penalty of £100 if the etc.) will be 14 days 2010. sum penalty of £100 if the etc.) Will be 14 days after the return is made no more than end of the accounting period, 3 months late, increasing to rather than on the first day £200 for a longer delay. 9 after the financial year in which higher penalty would be the loan was made. Interest on changed for repeated failures. repayment under Section £86(5) The tax related penalty will will run from the date the loan come in 18 months after the is repaid.

Special provision will be made will initially be at a lower for certain special cases where rate of 10 per cent of the tax the normal Pay and File rules then unpaid, but rise to 20 on interest for late payment

Simplifying and reducing the burden on small businesses

THE TREASURY issued the VAT from 10 to 30 days. following statement after the Chancellor sat down: A number of measures in the Budget Other measures which will of particular importance to benefit small businesses. The main include:

■ The proposed reduction to 27 per cent of the rate of cor-appropriate corporation tax poration tax for small com-rate, 27 per cent for small panies for the financial year 1987 (compared with a rate of 42 per cent in 1979).

● The proposed reduction in liability on gains.
the basic rate of income tax ● The ceiling for retirement for 1987-88 to 27 per cent, which will benefit the self employed and partnerships.

for businesses up to £250,000 turnover, which employer accounts for more than half of schemes. those registered for VAT. One of the key concerns of these businesses is the late payment of bills. This scheme will mean that they will not have to account for VAT until their bills have been paid. It will also give them effective bad

complete only one VAT return all inheritance tax purposes trative burdens. They should per year, with nine advance like shares in companies with give further encouragement to

small businesses

 Capital gains made by companies will be charged at the companies instead of 30 per cent, Companies will be able to offset ACT against tax

relief for capital gains tax will be increased from £100,000 to

Optional cash accounting for

New, simplified occupational pension schemes will help small been dropped. employers to set up their own Changes to the Business

it easier to raise equity finance

£21,300, keeping it at the maximum level allowed under current European Community

law.
The VAT small business measures follow a consultation paper published in October 1986. They represent an improvement for businesses on the proposals in the consultation paper in several important

The turnover limit for cash and annual accounting has been increased from the proposed £100,000 to £250,000. ● The proposal for compulsory deregistration of small busises with a turnover below the registration threshold has

standard method of calculating gross takings by retailers Expansion Scheme will make also been dropped. These tax changes build on a throughout the year. large number of measures which the rate of business relief have already helped small busilarge number of measures which for inheritance tax will be nesses since 1979, including cuts increased from 30 per cent to in the rates of corporation tax 50 per cent for minority hold- and income tax and the introings over 25 per cent in duction of the Business Expan-unquoted companies (but sion Scheme They represent minority holdings in companies a further significant step quoted on the Unlisted Securi-towards reducing both the debt relief.

6 Optional annual accounting for VAT, for businesses up to £250,000 turnover. Under this scheme, businesses will have to scheme, businesses will have to the scheme and administration and ad

payments on account.

a full listing).

Extension of the time to The VAT registration increase their profitability and threshold will be increased to

parties. The number of engagements undertaken by members of the Royal Family continues to increase, and the newest member, the Duchess of York, who does not figure separately in the list,

is undertaking a full programme of engagements.

The Duchess's expenses are paid from the Duke of York's allowance, raised to £50,000 a

limits. The full list (1986 figures in

brackets). The Queen £4,326,100 (£4,136,800); The Queen Mother £375,300 (£359,100); The Duke of Edinburgh £209,300 (£200,300); Princess Anne £130,400 (£124,800); The Duke of York £50,000 (£33,300); Prince Edward £20,000 (£20,000); Princess Margaret £127,000 (121,500); Princess Alice, Duchess of Gloucester £51,400 (£49,200); The Duke of Gloucester £102,200 (£97,800); The Duke of Rent £138,000 (£132,000); Princess Alexandra £131,500 (£125,800);

different) are given in the before Parliament in accompanying tables. These summer. CARS WITH ORIGINAL MARKET VALUE UP TO £19.250 AND HAVING A CYLINDER'CAPACITY

Company car scale

charges raised 10%

THE INLAND REVENUE also give examples of the

	Scal	e Charges	Tax payable for 1988-80, (assuming basic-rate taxpayer and basic rate of 27p) Age of car at end of relevant year of assessment			
Cylinder capacity car in on centimetr	res relev	ear at end of ant year of sessment				
1400ct or less 1401cc-2000c	Under 4 years 580 (525) 770 (700)	520 (470)	Under 4 years £156,60 £207,90	4 years or more £162.69 £140.49		

CARS WITH ORIGINAL MARKET VALUE MORE THAN £19,250

	Scale	e Charges	Tax payable for 1988-89 (assuming basic rate taxpayer and basic rate of 27p)			
Original mark value of car	relev	car at end of ant year of essment	relev	car at end of ant year of essent		
£19,250 or more	Under 4 years	4 years or more	Under 4 years	4 years or more		
but not more than £29,000 More than	1595 (1458)	1678 (990)	£430.65	£288.90		
£29,000	2530 (2390)	1685 (1580)	£683.10	£454.95		

CARS WITH A RECOGNISED CYLINDER CAPACITY

Cylinder expecity of car in cubic centimetres	Cash equivalent	Tax payable for 1968-88 (assuming basic rate taxpays and basic rate of 27p)
Up to 1400 cc	430	£129.66
1401 cc-2000 cc	600	£162
More than 2000 cc	900	£243

CARS WITH ORIGINAL MARKET VALUE UP TO £19,250 AND **NOT HAVING A CYLINDER** CAPACITY

Tax payable for 1988.00

		Charges	taxpayer and basic re of 27p)				
Original market value of car	releva	car at end of int year of essment	Age of car at end of relevant year of assessment				
Less than	Under 4 years	4 years or more	Under 4 years	4 years or			
£6,000 £6,000 or more but less than	589 (525)	389 (359)	£156.69	£102.80			
£8,500 £8,500 or more	770 (700)	520 (479)	£207.90	£1.49.46			
but less than £19,250	1219 (1100)	800 (725)	£326,79	£216			

Higher indexed threshold for capital gains tax AFTER MR LAWSON had Over-the-counter options and

71— 95 95—129 129—164

RANGE (£000s) TO WHICH TAX RATE APPLIES

finished speaking, the Inland. Revenue issued the following statement on exempt threshold retirement relief for Capital Gains tax.

In his Budget, the Chancellor proposes a number of changes to capital gains tax. Two of the changes are :---

i. An increase in the thres-hold in line with the Retail Prices Index. For 1987-88 an individual will be exempt on the first £5,600, and most trusts on the first £3,300 of gains (the present figures are £6,300 and £3,150 respectively). ii. An increase from £100,000

to £125,000 in the maximum amount of the relief available for those who dispose of their business on retirement at 60 or earlier on ill-health grounds. This release gives further information about these proposed changes. The detailed provisions for religement relief will be included in the Finance

Other proposals affecting capital gains are dealt with in the appropriate Press release, in particular, those concerned with corporation tax on the counter futures and options.

fatures: The Chancellor proposes:

(i) To extend the capital gains tax treatment in section 72 Finance Act 1985 to certain over the counter financial futures and options. The main effect will be that profits on transactions in these futures and options will always be taxed as capital gains rather than income unless the transaction takes place in the course of a trade. At present, they may in some circumstances he taxed as tracema.

income. (ii) To bring the capital gains tax treatment of over-thecounter financial options in line with that for traded options.
This release gives further

information about these pro-posed changes. The detailed provisions will be included in the Finance Bill. • Stock Exchanges

Consequent to the Financial Services Act 1986, the Chancellor proposes to introduce an enabling power allowing securities traded on new stock exchanges established in the United Kingdom to be treated United Kingdom to be treated in the same way for tax pur-poses as securities traded on the existing Stock Exchange.

Unit trust rules to fit in with act | AFTER THE Chancellor sat to ensure that the income tax rules eater for trusts which | Inland | Revenue rules eater for trusts which | Revenue rules eater for trusts | Revenue rules | Revenue rul

down the Inland Revenue rules cater for trusts which issued the following statement: take advantage of the freedom In his Budget, the Chancellor to invest in a wider range of proposes to modify the tax securities (such as commodirules which apply to authorised ties, financial futures and unauthorised unit trusts, options) which may be per-The main purpose of the mitted under the FSA regime, changes is to adjust the tax c Other unit trusts—i.e. unit rules to fit the new regime for trusts which are not authorised, unit trusts introduced by the and "gilts" unit trusts (author-Financial Services Act 1986, ised unit trusts, investing only The substance of the present in fixed interest securities, tax treatment will not be which get the same income tax

Details of the proposals: The main modifications pro-posed are: a Tax definitions of authorised and other unit trusts will be altered to match the new Financial Services Act defini-

b Authorised unit truststechnical changes will be made

—this will have substantially the same effect as the existing treatment, which is based on general income tax law

Industry now

clarified. In particular, the 45 per cent additional rate charge will be removed for unit trusts which take realised accrued interest into account when calculating the income available to unit holders.

ii there will be enabling powers allowing the Treasury, by Regulation, to exclude trusts from the tax rules applying to unit trusts. This is to cater for the possibility that in future there will be some categories of trust for which this tax treatment is inappropriate, though they will fall within the FSA regime for unit trusts; iii in addition, the applica-tion of the Accrued Income Scheme will be modified and

treatment as non-authorised unit trusts). To cater for developments which may occur in this sector under the new FSA regime: i a statutory income tax framework will be introduced and trust law (statutory rules are already in place for CGT and other taxes);

ISLE OF MAN

A FINANCIAL TIMES SURVEY The Financial Times proposes to publish a Survey on the above on TUESDAY MAY 19 1987 Topics proposed for discussion include:

The new Tynwald and leaders Island diary Changing the industrial infrastructure

The Freeport Financial supervision Financial and professional services Shipping register The latest on the SIB For a full editorial synopsis and details of available advertisement positions, please contact: BRIAN HERON

on 061-834 9381 The size, contents and publication dates of Financial Times
Surveys are subject to change at the discretion of the Editor

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

A FINANCIAL TIMES SURVEY

CONSTRUCTION AND TUNNELLING EQUIPMENT

The Financial Times propos to publish the above Survey on:

FRIDAY APRIL 10 1987 For further details,

piease contact: Penny Scott Bracken House 10 Cannon Street London EC4P 4BY 01-248 8000 ext 3389

The content, size and publication detes of Surveys in the Financial Times are subject to change at the discretion of the Editor

Foreign partnership AFTER THE Chancellor sat

down the Inland Revenue issued the following statement: The Chancellor is proposing legislation to ensure that a UK resident partner in a foreign partnership is fully chargeable to tax in the UK on his share of the profits of the partnership The legislation is intended to The legislation is intended the do no more than restore the general understanding of the law as it was before the decision in Padmore v CIR. It will apply so as to prevent claims to relief from tax for past years. The legislation will not affect the decision of any court given

before today. Controlled foreign companies: The Chancellor proposes in his Budget to amend the legislation concerning Controlled Foreign Companies to prevent avoidance of UK tax by moving the residence of the overseas company to the UK before payment of a dividend. The proposed amendments to the legislation will apply to dividends which are paid on or

after today.

Custom and Excise statement on value added tax

Turnover level to be raised on cash accounting scheme

CUSTOMS and Excise issued the following details of the VAT how to apply will be sent out accounting will be included in this autumn's VAT notes.

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Section :

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The Chancellor announced an optional scheme, open to all businesses with turnovers below £250,000, whereby VAT would be accounted for on the basis of each paid and received.

This scheme improves considerably on that proposed in the consultation paper VAT: Small Business Review, issued last October, in which the suggested turnover level was \$100.000. Provided the necessing to us: the scheme would make only one VAT return a year instead of the present four. They would make nine equal navements on account, by direct of each paid and received sary derogation under article 27 of the EEC 6th VAT Directive can be obtained, it will be introduced on October 1 1987. The Finance Bill will contain an enabling clause and draft regulations will be published in May to coincide with the stand-ing committee's consideration

Businesses wanting to use the scheme will be required to make an application to their local VAT office and, once approved, to remain in the scheme for two years. A leaflet explaining how the scheme will
work will be available from scheme will work will be availlocal VAT offices in May.

Annual accounting:

water the second second

The Chancellor announced an optional scheme of annual accounting. This scheme would be available to all businesses which regularly pay tax, have been registered for at least one ware and have turnuary below payments on account, by direct debit, and a tenth balancing payment with their annual

This scheme, too, improves considerably on that proposed in the consultation paper in which the suggested turnover limit was £100,000. It will be introduced in the summer of 1988 when the necessary computer reprogramming has been completed.
The Finance Bill will contain the necessary enabling clause, and draft regulations will be published in spring 1988.

Records and accounts:

As announced in HM Customs and Excise news release number 4.87 VAT: Preservation of Records, EMG Thomson McLintock have been appointed to the to conduct a review of the maintenance and preservation of VAT records and are due to report by the end of May. The proposal to engage an independent consultant to conduct such a review was announced in Chapter 3 of the consultation paper.
Registration and deregistration

Mr Lawson announced that the time for notification to be registered for VAT was to be extended to 30 days; this is one of several changes which are:

Time to notity liability to Retail schemes:
register extended to 30 days;
The Change • Eligibility to deregister to be based on future turnover only; Turnover for deregistration to be tax inclusive;
Notification of cessation of trade increased to 30 days; Once deregistered, businesses will not have to re-register on

the basis of turnover prior to

These changes will have accounting will be included in effect from Royal Assent to the unchanged. 1987 Finance Act.

The only modification made to the original proposals was, B2, will be introduced to refor technical reasons, the subplace the existing "Adaptation stitution of "30 days" for "1 1."

month." In practice this will not be detrimental, as a fixed longer have a fixed mark-up of period of 30 days gives certainty whereast a coloradar read goods received for received. tainty, whereas a calendar month varies from 28 days to 31 days.

Discretionary registration: The discretionary registration of businesses with turnovers below the registration threshold will continue unchanged. (It had been suggested in the consultation paper that businesses below the registration threshold should not be permitted to register, or remain registered

The Chancellor announced changes to the special schemes for retailers. These are: A new scheme, to be called Scheme B1, will be introduced as an alternative to Scheme B. This new scheme will not have the proposal in the consultation a "50 per cent rule," and no paper.

This new scheme will not have the proposal in the consultation a "50 per cent rule," and no paper.

The current "Adaption 2" but it will involve an annual

Scheme B itself will remain Scheme E1. Another adaptation

rated goods received for resale; instead various increased but fixed mark-ups will be applied based on types of zero-rated goods. An annual turnover re-striction of £500,000 per annum will apply, in line with the pro-posal in the consultation paper.

The annual turnover limit for Scheme C will be increased to £30,000, while some of the fixed mark-ups applied to the different trade classifications will be revised.

As a result of representations made, some of the revised fixed mark-ups proposed in the con-sultation paper will be reduced. The annual turnover limit for Scheme D will be increased to £500,000. This is in line with

will be replaced by an adapta-tion to Scheme E, to be called

As proposed in the consultation paper, this new scheme will operate in the same way as the old adaptation except that only the calculation of expected sell-ing prices of standard-rated goods received for resale will be required.

The lower annual turnover limit for Scheme G will be abolished, while the 1 uplift, having been reviewed, will re-main unchanged.

The How to work Scheme J pamphlet will be amended to include the available scheme J adaptations.

This is in line with the proposal in the consultation paper. The "standard" method of reckoning gross takings will remain unchanged for the

After considering the representations about this proposal, Ministers have decided that it should not be proceeded with for the present. The use of the standard method with however, form part of a future review on the use of retail schemes by large businesses.

elder whether they can use the and new retail scheme notices Use of retail schemes in will be withdrawn.

Those persons making both retail and non-retail supplies will be able to use retail 1988-89.
schemes for their retail supplies On Oc

only. Clearer guidance on the rules for permitted mixtures of retail mes will be given in Notice 727. VAT Retail Schemes.

the use of retail schemes, will be amended to improve clarity. This is in line with the proposed in the consultation paper. In total 192 responses were it is planned that all the received to the consultation changes concerning retail schemes will have effect from October 1 1987. For "non-retailers" currently October 1 1987. For "non-retailers" currently using retail schemes, a period of grace will be allowed to enable them to make the necessary

scheme of cash accounting to be will be published before introduced on October 1.

respect of non-retail supplies Revenue effect of the package: It is estimated that the total cost of these proposals will be £115m in 1987-88 and £60m in

On October 24 1986, Mr Peter Brooke, MP, the Minister of State at the Treasury, announced the publication by HM Customs and Excise of a consultation paper VAT: Small Business Review, which con-Regulations, which gives the Commissioners powers to refuse the use of retail schemes. leaflet was sent to a representa-tive sample of 5,000 small businesses.

paper and 1,256 responses to the leaflet. The overwhelming majority of welcomed both business review itself and the opportunity to participate. them to make the necessary While generally supportive of adjustments to their accounting the majority of the proposals, systems. Further information on the responses also made sugges-

Use of retail schemes will be systems. Further information on the responses also made su withdrawn from non-retailers. the changes will be available tions for improvement from local VAT offices in May, change. Package to combat avoidance of VAT could add £300m to coffers

CUSTOMS and Excise issued the following statement after they are not, in principle, in his Budget statement, the Chancellor announced a pack-laye of measures designed to a result have been placed at the number of the VAT Act 1983 do not apply to exempt supplies. They make business will be amended so the commissioners may direct that apply to exempt supplies. They make business will be amended so the commissioners may direct that bathroom, washroom or lavatory facilities for the handicapped in commercial provisions in Schedule 4.1 partly exempt VAT group.

From April 1 1987, VAT make they had been of the VAT Act 1983 do not apply to exempt supplies. They will be amended so the commissioners may direct that apply to exempt supplies. They make business will be amended so the commissioners may direct that bathroom, washroom or lavatory facilities for the handicapped in commercial provisions in Schedule 4.1 partly exempt variety apply to exempt supplies. They had been of the VAT Act 1983 do not apply to exempt supplies. They had been of the VAT act 1983 do not apply to exempt supplies. They had been of the VAT act 1983 do not apply to exempt supplies of the VAT act 1983 do not apply to exempt supplies of the VAT act 1983 do not apply to exempt supp

Parliament on December 19 the changes he intended to intraduce. The principal measures

Deductible input tax: From April 1 1987 a VAT registered business will be able to recover as input only tax that VAT which is attributable to: business taxable supplies; business supplies outside the scope of UK VAT because they take place outside the UK but which would have been either stan-dard or zero-rated supplies had they been made in the UK; business supplies of warehoused goods disregarded under section Registration of traders: 35 of the VAT Act 1983. From Royal Assent Ite

used to support the activities of outside the UK) will be the business as described above. repealed. Many businesses which of a business as a going concept of the expenses were registered for VAT be used to support other activities cause they were making support other activities cause they were making support of the var group. The representative member will be respectively and the var group. The representative member will be reof input tax apply.

businesses have taken advan-tage of weaknesses in the current partial exemption rules and by carefully timing when exempt supplies are made have UK VAT (but which would have

age of measures designed to prevent distortion to trade and to combat VAT avoidance. Most of the measures follow from the consultation document issued by Customs and Excise on August 7 1936, entitled VAT. Input Tax: Origin and Scope of the Right to Deduct.

The Chancellor appropried in

wrongly attributed.

A revised edition of Notice
706 Partial Exemption gives
full details of the new partial
exemption "de minimis" rules and of a new standard method for apportioning input tax. Customs will continue to allow alternatives to the "standard method" of apportioning input tax provided they are practical, accurate and fair agreement has, for example, been reached with representatives of the brewing industry on a special method for calcu-lating input tax in relation to

tied properties. So of the VAT Act 1983.

VAT input tax on overheads.

VAT input tax on overheads.

Including research and development, is deductible in full services from the UK by a busingrovided such expenses are ness operating both inside and need to compare the activities of outside the UK). under Item 2 will remain elig-One of the main effects of ible for registration under the the changes will be to prevent new arrangements set out below. the recovery of VAT input tax. Schedule 1 to the VAT Act in relation to future exempt 1983 will be amended from supplies. In the past some Royal Assent to enable busi-businesses have taken advansupplies in the UK but make overseas business supplies which are outside the scope of

changes must review their eligibility to remain VAT registered. Should they be eligible and wish their VAT registration to continue, they should make written applica-tion to their local VAT office. Businesses no longer eligible must apply for deregulation. Exemption of services related to

capital issues: From April 1 1987, the making of arrangements for and the underwriting of capital issues will be exempt from VAT.

Acquisition of a business by a partly exempt VAT group: From April 1 1987, a new provision will come into effect under which partly exempt companies VAT grouped under section 28 of the VAT Act 1983 may, in certain circumstances, be required to treat the acquisition of business assets on the transfer of a business or part of a business as a going conquired to account for VAT on a supply of any chargeable transferred and can recover input tax in accordance period in which the assets are

sary to prevent distortion of the partial exemption calcula-tions through artificial valua-

Revenue effect

tion of supplies.

The total package will pre-vent an estimated revenue loss of £300m in 1987-88.

A full copy of the deductible import tax regulations giving effect to certain of the changes outlined above was yesterday sent to all parties who have pre-viously indicated they wanted one. Further copies can be obtained from: HM Customs and Excise, VAT Administration Directorate (VAD 6), Room 206, Knollys House, 11, Byward Street, London, EC3R 5AY.

The regulations will be laid in the Commons at the end of to extend the VAT reliefs at ing the UK. Tour operators will the Budget debate and are avail- present available to charities also not be able to recover any able in the interim in the Commons Library. The revised partial exemption

Notice 706, transitional arrangements leaflet and copies of ments leaflet and copies of Budget notices (BN 3/87 and 4/87) covering the following points are available from local with the first time be available from local to the installation or adaptation or adaptation of the installation or adaptation or adaptation of the installation or adaptation or ad VAT offices. VAT: restriction of input tax;

registration of overseas traders and repeal of zero rate Group recover input tax in accordance 15 Item 2; registration of tra-with its normal partial exemp-tion method in the tax housed goods; exemption of certain services related to capital

connected persons shall be charity residential homes; drugs valued at the open market and chemicals used directly by value. This change is neces- a charity in medical research; certain vehicles for use by blind or mentally handicapped. hospices for transporting the terminally ill; and specialised relief include health authorities location and identification equiparties. ment for use by charitable rescue and first aid services.

The new reliefs are contained in the VAT (Charities) Order 1987 laid before parliament

The relief for bathroom, washroom or lavatory facilities encompasses an existing extra-statutory concession for indi-vidual facilities in a charity residential home for the handirelief of distress.

shout £5m in 1987-88. The their suppliers for such ser-amendments are to groups 14 vices. and 16 of Schedule 5 of the The services affected are VAT Act 1983.

washroom or lavatory facilities for the handicapped in private

down the Inland Revenue issued the following statement on the

The Chancellor proposes in

Business Expansion Scheme:

to welfare vehicles (with six to 50 seats) for transporting terminally ill is a further addition to the relief given last year for vehicles for the deaf, blind or mentally handicapped. as well as charities.

The zero-rating of specialised location and identification equipment for charitable rescue and first aid services covers some of the most expensive items in these charities' expenditure and should be of parti-cular benefit in mountain rescue work.

Under a special VAT margin scheme for tour operators, UKcapped. The order also gives based tour operators who buy statutory effect to an existing in services for their customers extra-statutory concession for will have to pay VAT on the the donation for export of goods margin between their buying to a charity established for the and selling prices if the services relief of distress. The effect of this package is European Community, includand eligible bodies at a cost of VAT which may be charged by

those bought and sold for the tion (including the supply of pected transport will be zero related goods) of all bathroom, rated). Services which tour operators supply from their own for the handicapped in resi-resources will not be covered dential homes run by charities. by the scheme and will continue This will parallel the existing to be taxed according to nor-reliefs for the same facilities mal VAT rules.

Consultations have been tak-ing place between Customs and sequired.

In group 16 the new zero-Excise and the Association of Valuation of exempt supplies:

VAT: acquisition of a busi-rating for drugs and chemicals British Travel Agents. Detailed Currently, the special valuances as a going concern by a directly used in medical reguldance about the operation

search extends last year's of the scheme will be published question include advertising, relief for medicinal products to later this year. The scheme is data processing and proin 1988-89. The scheme is a requirement

under Article 26 of the EC Sixth Directive. Forewarning of the Chancellor's intention to introduce it was given on Budget day last year. At present tour operators' services in re-spect of overseas package tours are not subject to UK VAT.

At present, where for busi-

ness purposes a registered trader buys in certain services from abroad, he has to treat them as if he had supplied them himself and charge himself tax. Businesses which are not registered because they deal wholly or mainly in exempt supplies do not, under existing law, have to count the cost of imported services as taxable turnover for the Durposes of the quarterly or annual registration limits, and can thus avoid the need register and account for VAT on the services in question.

The proposed change in the law will close this loophole. As a result exempt businesses will have to register where the taxable supplies of their beginning own in the same way as existregistered businesses

already do. Because of the loophole, exempt businesses have been able to import certain services VAT free and avoid the tax that they would have had to pay on identical services bought from UK registered traders.

The imported services in

charities engaged in medical re-expected to start from April 1 fessional and consultancy ser-search. The extension of relief 1988. It will yield about £20m vices. There is evidence of avoidance particularly in rela-tion to newspaper advertising ordered through agencies in the Channel Islands. The change (to section 7 of the VAT Act 1983) will put an end to unfair competition with UK busicesses and will prevent a loss of revenue which would have amounted to about £5m by 1988-89. Full details of imported services affected are in Schedule 3 of the VAT Act

> The annual registration limit is being increased from £20,500 to £21,300 and the single quarterly registration limit is being increased from £7,000 to £7,250, from midnight yesterday.

Cancellation of registration: The limit will be increased from £19,500 annually to £20,300 (inclusive of VAT) from June 1 1987 for persons considering cancelling registration on the basis of their expected future

Persons will also be able to apply for cancellation of their registration after June 1 1987 if they have been registered value of their taxable supplies for two years and their turn-and the cost of the relevant over (inclusive of VAT) in each imported services together of those years has not exceeded

> An estimated 14,000 extra persons will be eligible to request cancellation of their registration as a consequence

> of these changes. Detail of the changes in the registration and cancellation limits are contained in Customs and Excise Notice BN 1/87. Copies will be available at all

Construction faces changes in PAYE

THE Inland Revenue issued the following statement after Mr The Chancellor proposes to

take steps towards tightening up the collection of PAYE and improving the operation of the deduction schemes for subcontrateors in the construction industry.

These measures are in line with the recommendations of the Keith Committee and were identified for early consideration in the consultative document The Inland Revenue and the Taxpayer, published on December 12 1986 in response to the recommendations of that -ommittee. PAYE:

It is proposed to: Charge interest on tax paid late in circumstances where the inspector has had formally to inspector has had formally to determine the amount due because PAYE has not been properly applied at the right time by the employer. The interest charge will commence 14 days after the end of the tax year to which the tax relates, and take affect from April 20 and take effect from April 20 1988.

Betting duty changes

HM CUSTOMS and Excise issued the following statement after the Chancellor's speech: in his Budget statement today, the Chancellor of the Exchequer announced changes to the betting and gaming duties. General betting duty: The duty on on-course betting (now 4 per cent) will be abolished with effect from March 29 1987. (The duty on off-course betting remains unchanged at 8 per

Gaming machine licence duty: cent.) Rates will be increased with effect from June 1 1987.
(a) Amusement-with-prizes in public houses, arcades, etc: 5p machines (now £120) will

10p machines (now £300) will be £150 pa. te:
5p machines (now £300) will Customs and Excise Notices BN be £375 pa.

Clarify the meaning of "pay-ment" for PAYE purposes—for example, credited to an employee's account or remuneration is Subcontractors

It is proposed that: There will be an interest charge, again from April 20 1988, where formal assessments are made by the inspector to recover money which a contrac-tor should have deducted from payments to sub-contractors. Companies with a sub-contractor tax exemption certificate will be required to notify the Revenue of any change in com-pany control; failure to comply could lead to withdrawal of the company's certificate.

There will be a new right of

appeal against the Revenue's cancellation of sub-contractor The Revenue will be empowered to require production of a contractor's records. There will be new safeguards for contractors in certain circonstances where they have incorrectly paid subcontractors without deduction.

10p machines (now £750) will be £960 pa. Gaming machine licence duty arrangements: collection Changes in the arrangements for the collection and repayment of gaming machine licence duty will operate from October 1 1987. All licences will be available from the first day of any month and quarter year special licences will be available for the

first time. Refund terms on surrender of licences will be improved. Revenue effect: The overall revenue effect will be neutral, the estimated £20m annual loss from the abolition of on-course betting duty being recouped from the increase in gaming machine licence duty revenue. Public notices: Full particulars

Restrictions on relief for overseas loan

The Chancellor proposes in his Budget to restrict the double taxation relief available to hanks entered in landing to 1988.

lending, banks are at present the UK.
entitled to credit the full amount of any foreign tax (subject to an overriding limit of overseas but should build upject to an overriding limit of over time from about £30m in 1987-88 but should build upject to an overriding limit of over time from about £30m in 1987-88 but should build upject to an overriding limit of over time from about £30m in 1987-88 but should build upject to an overriding limit of overseas but should build upject to an overriding limit of overseas but should build upject to an overriding limit of overseas including business including separately, they will be able to offset tax credit relief for cent.

The Inland Revenue will be

THE Inland Revenue issued the new measures will apply to following statement after the interest arising from that date. In the case of loans already in existence on that date, the new measures will apply to

non-residents.

In addition to enjoying a full deduction for interest paid on funds borrowed to finance such lending, banks are at present

foreign withholding tax pand on the interest they receive against discussing the operation of the the corporation tax on the profit only on that loan.

discussing the operation of the new rules with the banking associations, with the abjective only on that loan.

In the case of loans made of keeping to a minimum the on or after April 1 1987, the costs of compliance.

Support for retraining

following statement:

The Chancellor proposes in his Rudget to introduce tax relief to support retraining in new work skills which employers provide for employees who are leaving, or have left, to help them exploit new employment and business opportunities.

The proposals are aimed at

employees who are either about to leave their current jobs or who have already left. It is intraining in new work skills or reduction applies he is not able to do so already)

AFTER the Chancellor's speech be able to deduct the cost of the Inland Revenue issued the such training in calculating his taxable profits.

The provisions will apply to qualifying training course expenses incurred on or after April 6 1987. The detailed pro-visions will be included in the

tended that: the employee will THE CHANCELLOR announced no longer be taxed on the bene- a cut in the duty on unleaded fit of the expenses of a training petrol of 5p a gallon (1.1p a course paid for or reimbursed litre), including VAT. It preby the employer, where the viously bore excise duty at the course is concerned with resame rate as leaded petrol. The knowledge for use in a new job unleaded petrol cleared at or business; the employer will import or from bonded ware-(in those circumstances where house from 6 pm yesterday. 1987-88 of the cut in unleaded tax purposes as received in an Unleaded petrol is defined as petrol duty would be negligible. earlier accounting period.

his Budget changes to the Business Expansion Scheme which will: reduce the bunching of investment towards the last quarter of the tax year; and on which interest and of improve the effectiveness of the other payments are treated. scheme for film production companies.

The investor will be able to claim up to one-half of the BES relief against his income of the previous tax year subject to two conditions: the investment must be made

in the first half of the tax year (between April 6 and October 5 inclusive); and • the carry back will be subject to a maximum of £5,000 in respect of the total BES investments made in this period.

The option will apply to

investments made after April 5 1987 and can be exercised only when the relief is claimed. The balance of the relief will continue to be allowed for the year in which the BES investment is actually made. Film production companies

Up to now, film production companies have been eligible for BES status only if they are engaged in film production throughout the three year quali-fying period. For shares issued from today, a company will qualify if throughout the period it is engaged either in film production or in the distribution of films produced during the

In practice this will help a

Unleaded petrol duty cut

to all

petrol containing not more than 0.02 grams of lead per litre (0.013 grams per litre from April 1 1990). The duty rates on leaded petrol, derv and other hydrocarbon oils reamin

unchanged. A Customs and Excise state-

Move on BES investment AFTER the Chancellor sat company set up to produce a

single film where the produc-tion is likely to take less than three years. The company will in future be eligible for relief if it spends the remainder of the period distributing the film. The Chancellor proposes in his Budget to align the dates on which interest and certain paid and received for tax pur poses. The new rules will apply where the payment is between companies within a

group or under common control and is made on or after March

It is possible for interest to be treated for tax purposes as received by the lender on a different date from that on which the borrower is treated as having paid it (for example, where interest is paid by a cheque). This gives scope for deferral of tax by companies within a group (or under com mon control) if the dates of payment and receipt for corpo ration tax purposes straddle accounting periods, i.e. relief for the interest paid is given in the earlier period, but there would not be tax on the interest

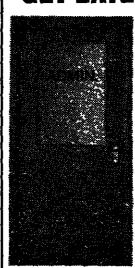
Payments which are "charges on income" for the purposes of corporation tax (for example, yearly interest, annuities or other annual payments) and which are made on or after March 17 1987 between com-panies within a group or under common control, will be treated for corporation tax purposes as received on the same day as they are paid. But the new rule will apply only if the pay-ments are assessable on the recipient under Case III of Schedule D. In other words, companies which would be assessed on the interest as a trading receipt will be excluded from

received until the later period.

The new rules:

the change. There will be a similar change in the provisions concerning the collection of income tax on company payments which are not distributions (Schedule 20 to Finance Act 1972), if the payment would under the new

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Pension reform package aims to broaden base This document describes maximum benefit of two-thirds accrual rates, but for his lump

The Inland Revenue issued the following statement after the Chancellor's speech.

Simplified occupational pension schemes:
The consultative document

The Chancellor proposes in his Budget a major tax reform

package for pensions. ● There will be attractive tax reliefs for the new personal pensions, which will be available for both employees and the

• The introduction of personal sions has been brought forward (from expected April 1988) to January 4 1988.

 Members of occupational pension schemes will have the right, from October 1987, to pay free-standing " additional contributions to a separate pension plan of their own choice.

Simplified "no frills" occupational schemes — either defined benefit or defined ontribution — with minimum
"red tape " will be available for
employers who at present do
not normally provide pension their for arrangements employees.

● It will be made easier for people to transfer between dif-ferent schemes when they change jobs. The scope for exploiting the

tax reliefs, particularly by very high earners, will be curbed. These reforms, taken together with other radical changes already made in the pensions field, will result in more people having their own pensions on top of what the State provides; give everybody more choice in how to provide for their retirement; allow a much greater sense of ownership of pension rights; make it easier for people to take their pensions with them when they change jobs; and help ensure that the tax reliefs are used for genuine provision for retire-

The Chancellor's reform pack- their jobs in mid-career to take age aims to provide a better and fairer — pensions deal, not only for the 11m people who are currently in pension schemes, but also for the millions of employees who are

Tax reliefs for personal pension schemes:

As promised in the recent consultative document "Improving the Pensions Choice," this year's Finance Bill will contain legislation to establish a new tax regime for personal pensions; both for employees and the self-employed. This legislation will replace the present provisions for retirement annu-ties (in Section 226 et seq of the 1970 Taxes Act).

The consultative document outlined the main features of of the transfer value may be the new regime: no limit on total benefits; tax-free lump sum (subject to a limit); tax relief on contributions, provided they do not exceed annual limits (17.5 per cent of income up to age 50, up to 27.5 per cent for vent the benefit limits older people); benefits to be applicable to occupational pen-

ment annuity contracts continue to benefit from tax relief.

"Improving the Pensions Choice" proposed a number of improvements in the present rules. For example, provision for contributions by employers (within the overall limit) and improvements in the higher con-tribution limits for older individuals. In the light of comments received on that document, further improvements are proposed: the suggestion that people should be limited to one

promised new simplified occupational schemes, with minimum red tape, providing "no AVCs have sometimes been frills" benefits. These schemes criticised as too inflexible may either be subject to the usual final salary limits on benefits ("defined benefit") or -an important innovation-be limited only by reference to contributions ("defined contri-bution"). The concept of these simplified schemes, which will simplified schemes, which will help many small employers to set up their own pension scheme, was widely welcomed. Both types of scheme can be approved under the Inland Revenue's existing discretionary powers of approval (Section 20, Finance Act 1970). Detailed guidelines on how they will operate will be published shortly. And, as promised in the consultative document, the Inland Revenue will be preparing

employer who wants a simplified, "off the peg" scheme. Improved transferability of pension rights: The consultative document roposed an important change i the present rules, in order to allow much greater transfer-ability between different types of pension arrangement. This

will enable people who change

standard scheme documentation

which will be available to any

The suggestion that people should be limited to one personal pension at a time has been dropped.'

their pension rights with them. In general, the consultative document proposed complete freedom to make such transfers. But, in view of the different rules for occupational schemes and other types of scheme, it invited views on two aspects of the proposals. Death in service benefits.

Where a transfer was made from a final salary related occupational scheme to a personal pension, the document proposed that, if there was a surviving spouse or dependent, the personal pension should provide for the transfer value to be paid out only as an annuity. This was criticised as unduly restrictive, and it is now proposed that, in these circumstances, up to 25 per cent paid out in the form of a taxfree lump sum.

 Manipulation of limits. Completely free trans-ferability could facilitate misuse of the tax reliefs to circum-(ie what the accumulated fund will buy).

Transitional arrangements will ensure that existing retirewill ensure that existing exists and ex identified other

approaches, which at first sight seem worth exploring. Further consultations will therefore be

OCCUPATIONAL PENSIONS:

TAX LAW AND PRACTICE

Background document to the The detailed rules concerning transfers will be contained in regulations to be laid in the autumn, after the Finance Bill has become law. It is proposed

prior consultation. additional pension provision outside their employers'

to publish them in draft, for

Simplified occupational pen- Security Act 1988, all occupa-tional schemes will in future be required to offer such a

facility.
But the rules governing because: contributions could only be paid to an AVC scheme set up by the employer; and once payments had started, they had to continue for at least five years.

Two important relaxations are therefore proposed. With effect from October 1987 occupational scheme members will be able to pay "free-standing" AVCs to their own plan-ie completely separate from their employer's scheme — though they will still need to remain within the present limits on total contributions and benefits. And from next month they will be free (if scheme rules permit) to vary the amount and timing of such payments as they think

Since these changes are intended to help occupational scheme members enhance their pension expectations, it will not be possible for any of the rights secured by AVCs to be commuted into a tax-free lump

Exploitation of the tax reliefs Exploitation of the tax reliefs for pensions:

The generous tax treatment for pensions is justifiable only if the tax reliefs are not misused. It is therefore proposed to make a number of limited changes to restrict exploitation, particularly by a small number of very high earners: The definition of "final remuneration" will be tightened remuneration" will be tightened up, to prevent artificial inflation of the figure on which benefits are based. In general, this will apply to all arrangements made on or after today (Budget Day); A limit of £150,000 will be placed on the proportion of benefits which can be taken as a tax-free lump sum (without reducing total benefits). This

will apply on or after today (Budget Day) to all new emes and new members existing schemes; It will not be possible for maximum pension and (except in certain limited circumstances) lump sum benefits to accrue in as short a period as at present. This will apply on or after today (Budget Day) to all new schemes and members of existing

These changes are explained more fully in the attached background document.

Administrative streamlining: Minor changes are propos in the 1970 legislation to clear up two points of detail concerning the tax approval of occupational pension schemes.

Representative bodies in the pensions field will be invited to iscuss possible changes, simpliand streamlining of Inland Revenue administrative procedures.

These proposals are explained more fully in the attached document.

Background document to the Budget proposals:

In his Budget, the Chancellor proposes a major tax reform package for pensions: attractive tax reliefs for personal pen-sions; more flexible rules on employees pension contribu-tions; simplified "no frills"

been dropped; the certification arrangements (to monitor compliance with the tax rules) will be simplified to ensure there is no substantial additional burden on employers; and there will be a new, simpler rule for calculating the proportion of calculating the proportion of that can be taken as a lamit of total benefits and tax-free lump sum (a straight 25 per cent of the fund).

Schemes:

Occupational pension schemes and practice: will qualify for pension benefits measures to counter exploitation of the tax reliefs, particularly by some very high earners; and measures to streamline the administrative procedures concalculating the proportion of the fund).

Most ordinary members of occupational pension schemes will qualify for pension benefits and the permitted by the rules of their scheme, to top up their pension of the tax reliefs, particularly by some very high earners; and measures to streamline the year of service until retirement and earlied accrual also occupational pension schemes will qualify for pension benefits but "accelerated accrual" also occupational pension schemes will qualify for pension benefits but "accelerated accrual" also occupational pension schemes will qualify for pension benefits but "accelerated accrual" also occupational pension schemes will qualify for pension benefits but "accelerated accrual" also occupational pension schemes will qualify for pension benefits but "accelerated accrual" also on a fraction of their pension schemes are already able, if measures to summer the measures to streamline the pensions law and practice:

The maximum lump sum of 1.5 the maxi

these two aspects in more detail. final salary (40/60).

The generous tax regime for pension provision is to encourage and facilitate proper provision for retirement. It is not, and was never, intended to be just a tax efficient medium for investment generally. With further reliefs proposed this year, the Government regards it as important to ensure that the system is not exploited. The ellor therefore propose the following changes.

Definition of final remunera-

Present tax law (Section 26(1) Finance Act 1970) defines "final remuneration," for the purpose of calculating an individual's pension benefits, as the average annual remunera-tion of the last three years' service. "Remuneration" may service. "Remuneration" may include basic salary and certain other emoluments.

Under the Inland Revenue's

discretionary powers, two alternative, more fiexible, definitions may be approved for the calculation of benefits: for any single lation of benefits: for any single year in the last five before retirement, basic salary plus fluctuating emoluments such as bonuses, commission, benefits in kind, etc (which may have to be averaged over a suitable period); or average total emoluments for any period of three ments for any period of three or more years ending in the last 10 years before retirement.

"Controlling directors" (i.e. controlling, directly or in-directly, 20 per cent or more of the company's ordinary share capital) must use the second definition.

The present rules can be manipulated in a number of ways in order to inflate artificially the figure of "final remuneration": taxable income from share options etc can be made to arise in the final year, in a way which avoids the averaging rule; an excessive pay increase can be awarded in the final year; a controlling director may resign from the board (while retaining effective control) shortly before retirement, so as to benefit from the more flexible definition in para-

graph 6a above.

These arrangements, which are likely to be confined to directors and senior executives on high salaries, undermine the original intention of the concessions. The Chancellor does not believe they are justi-fied any longer. He therefore oposes the following changes: income or gains in respect of share options etc will be ex-cluded from "final remuneration"; all employees whose annual "final remuneration" is £100,000 or more in 1987-88 and

sequent years (or such higher figure as may be pre-scribed by Treasury order) will be subject to the definition in paragraph 6b above. An employee whose annual rein 1986-87 and who will retire within five years will be allowed to use the paragraph 6a definimuneration is £100,000 or more package will depend on take-up, but is provisionally estimated at £65m in 1988-89.

OCCUPATIONAL PENSIONS:

TAX LAW AND UPACTUCE

Uon, provided the pension calfinal remuneration was £100,000.

A similar limit will apply for figure; any employee who is a "controlling director," or has been within the previous 10 been within the previous 10 years, will be subject to the definition in paragraph to today).

definition in paragraph 6b In general, these changes will apply to all arrangements entered into on or after today (Budget Day) by all members of occupational schemes. Legislation will be included in this sions; more flexible rules on employees' pension contributions; simplified "no frills" occupational schemes; greater changes, and to override the rules of existing occupational

But—if the employer agrees—certain privileged employees

may qualify for maximum pen-sion benefits after as little as of the (texable) pension. There years' service to the scheme's normal retirement date. This is known as "acceler-poses that, from today, for the ated accrual" or "uplift." purposes of new schemes and Although, for these purposes, the maximum benefit has to take account of "retained benefits" from earlier employments, this concession usually requires very large pension contributions by the employer, which benefit from tax relief

" accelerated The present accrual "rules are too generous, given that the fundamental purposes of the present tax regime is to provide pension benefits related to the income customarily earned by an individual during his whole working life. The Chancellor therefore proposes a new scale of accelerated accrual, based on a period of 20 years' service to normal retirement date.

He also proposes a modest relaxation in the scale, which at present confers no advantage over the normal 1-60th accrual rate for service of five or less years to retirement. Henceforth

The cost of the overall package will depend on take-up, but is estimated as £65m in 1988-89.

the scale will be on a straightline basis, with the maximum permissible accrual rate being 2-60ths final remuneration for each year of service, up to 20

These changes will apply from today (Budget Day) to all new occupational pension schemes and arrangements and all new members of existing schemes. Legislation in this year's Finance Bill will set out the detailed rules and will override the rules of existing schemes accordingly. Maximum lump sum benefits:

Under present rules, the maximum tax-free lump sum on retirement (which is obtained by commuting part of the total pension benefit) should not normally exceed 1.5 times final salary. The Chancellor proposes two

adjustments to these rules.

The first proposal is that no tax free lumb sum should ex-ceed £150,000. This is the maximum lump sum benefit for which someone with final re-muneration could qualify. For the very few people whose final

schemes and arrangements set bodies possible ways in which up from today, or to people joining existing schemes from today. The necessary legislation will be included in the Finance on standard documents, This change will apply to any

Bill. The second proposal concerns the "accelerated accrual" rules for lump sums. On normal accrual rates, the maximum lump sum is 3-80ths final re-

"accelerated accrual." enables the (tax free) lump sum is no justification for this, and the Chancellor therefore pro-

new members of existing schemes, retirement lump sum benefits may be calculated by reservence to "accelerated accrual" only if total pension reference to benefits are based on the new "accelerated accrual" rate of 2/60 for each year of which benefit from tax relief in the normal way. The cost of funding for benefits at these levels is the reason that so few employees receive such treatment. They only restrict the amount those benefits which can be

> Administrative improvements and simplification:

The Inland Revenue consultative document "Improving the Pensions Choice," published in November 1986, indicated (para-November 1988, indicated (paragraph 7.3) that a review of current occupational pensions procedures was in progress. The purpose of the review was to examine the scope for possible improvements and simplifications in the present rules. fications in the present rules and arrangements.

taken in the form of a tax-free

The following possible changes have been identified.
Tax approval of occupational pension schemes:

Two detailed changes are proposed in the present legislation (Section 19 et seq, Finance Act 1970): an amendment to Section 19(3), concerning the Board of Inland Revenue's power to with draw a scheme's approval.

Doubts have been expressed as to whether such a withdrawal can be backdated to the time of the offending event or trans-action (as had been thought). The amendment will establish beyond doubt that this can be done: an amendment to Section 20, to clarify the scope and extent of the discretionary powers conferred on the Board by this provision. The amendment will make it clear that. notwithstanding these general discretionary powers, some of the fundamental conditions for approval are firm, and not sub-ject to variation of waiver at the Board's discretion (for example, the maximum benefit limits). The amendment will also enable additional conditions to be prescribed in particular circumstances (eg. for the approval of small self-administered schemes). The relevant conditions will be contained in

Approval procedures. Amendments will be proposed to the legislation concerning the Board's powers to obtain information in connection with an application for approval (paragraph 6, schedule 5, Finance Act 1970). These will enable the Board to prescribe: what information about the scheme is to be provided at the time of the application; and the form in which such information should

regulations made by Statutory

be provided. Over the coming months, the Inland Revenue hope to discuss with interested representative

Conditions for approval:

The Inland Revenue also hope to have further discussions with the pensions industry on possible simplifications in the present conditions for approval. Two areas in particular need to be ent types of scheme.

He also proposes changes in two aspects of occupational pensions law and practice:

pensions law and practice:

magnification schemes and arrangements
schemes and arrangements
muneration for each year of muneration for each year of service, up to 40. This produces service, up to 40. This produces areas in particular need to be service, up to 40. This produces areas in particular need to be negligible for pension schemes of the maximum lump sum of 1.5 times final salary (120-80ths).

The production of the present muneration for each year of service, up to 40. This produces areas in particular need to be negligible.

Most ordinary members of times final salary (120-80ths).

The production of the present muneration for each year of service, up to 40. This produces areas in particular need to be negligible.

Most ordinary members of times final salary (120-80ths).

Inland Revenue details effects of taxation changes

THE Inland Revenue issued the "gross" or "net" terms.

following statement after the "Gross" covenants: Under a gross" covenant, the Reduction in the basic rate of income tax: The Chancellor Parposes in his Budget to recuce

the basic rate of income tax for the basic rate of income cal for 1987-88 from 29 per cent to 27 per cent. The reduction will take effect from April 6 1987. Deduction of income tax from annuities, interest etc.: The Chancellor of the Exchequer announced that the

basic rate of income tax to be imposed for the year commen-cing April 6 1987 will be 27 per cent. A resolution to this effect will be placed before the House of Commons within the next few days and if passed will have statutory effect under the Provisional Collection of Taxes Act 1968. Where there is a right or an

obligation to deduct tax at the basic rate from the payment of passe rate from the payment of annuities or other annual pay-ments (including alimony), interest, royalties etc., the rate-at which tax deductions should the payment of the payment of the payment of the payment of the at which tax deductions should be a payment of the payme be made after April 5 1987 will be the new rate. But, in the case of interest on securities of bodies corporate in the UK, inchding local anthorities, deduc-tions at the old rate of 29 per cent will be deemed to be legal deductions for a period of one month from the date of the passing of the appropriate resointion, subject to adjustments later to give effect to the new rate for the year (see next

paragraph). Where payments have been made on or after April 6, 1987 from which tax has been deducted at the rate of 29 per cent the over-deduction will be adjusted as follows:

(a) Interest on UK Government securities and foreign dividends paid in the UK: HM Inspector of Taxes, on application by the recipient, will either repay the excess tax deducted or make an appropriate allowance against some subsequent tax assessment. Applicants for repayment will need to farnish evidence given on £97.28.

(normally counterfolls obtainable from the paying agents or tax credit on dividends: There amounts claimed.

recipient the amount of any. For dividends paid on or after excessive deduction of tax made. April 6 1967, companies should by reference to the earlier rate pay ACT at the rate of 27/73rds of 29 per cent. This will usually of the dividend. The tax credit be done at the time of the next will similarly be 27/73rds of the

authority security has been sold shareholder at the new basic since an over-deduction of tax rate of 27 per cent. at 29 per cent the person when a dividend due to be entitled to the security at the paid on or after April 6 1987 time the over-deduction is made has already been declared, or a good will be entitled to the benefit of the adjusting pay the hands of the printer showment.

mest which are subject to the deduction of income tax at source. Copies of this circular will be obtainable from the Office of any Inspector of Taxes. Effect on deeds of covenant: the purposes of ACT. If the The reduction in basic rate will alter the amount of tax to be about the course from Bay. deducted at source from pay-ments due, from April 6, 1987 onwards, under deeds of covenant. The precise result wil depend on whether the covenant is expressed in

takes to pay (for example) £100 a year less tax. At present, with 29 per cent basic rate of tax, At present, with a 29 per cent basic rate of tax, he deducts 229 tax and pays the recipient 271.
The recipient may be able to reclaim all or part of the £29 tax from the Inland Revenue, depending on his or her per-

The reduction of basic rate for 1987-88 means that the payer should deduct tax at 27 per cent instead of 29 per cent from payments due on or after April 6 1967. Thus in the example above, the payer should deduct £27 tax and pay the recipient £73. Because the covenant is a legally binding deed, he will have a legal obli-gation to increase the net pay-ment to £78. If his payments are made by standing order, he-will need to change his standing order accordingly.

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If the covenant is in favour of a charity, the payer may be entitled to relief at the higher rates of tax for the gross amount (in the example, £100). "Net" covenants: Under a "net" covenant, the amount to be paid is fixed in net-of-tax terms. For example, the coven-anter undertakes to pay each year such sum as will leave £?1 after deducting tax at the besic rate for the year.

At present the £71 net represents £100 gross less £29 tax.
The reduction in hasic rate means that, for payments due on or after April 6 1987, the 171 net will represent £97.26 gross less £26.26 tax (for example at 27 per cent on £97.26) The maximum tax available for re-payment to the recipient is thus £26.26. Claims to repayment of tax should be based on a 27 per cent rate rather than 29 per

If the covenant is in favour of a charity, any higher rate relief due to the payer will be

bankers) showing that they will be no change in respect of have suffered deductions of the dividends paid on or before April 5 1987. Companies should amounts claimed.

(b) Annuities, annual payments pay advance corporation tax (including alimony), royalties (ACT) at the rate of 29/71sts etc and other types of yearly of the dividend. The tax credit interest (including these will be a similar proportion of received from campanies or the dividend and will satisfy local authorities). It will be the income tax liability of the the payer's responsibility to appropriate the present basic repay or make good to the little of 28 per tent.

The dividends paid on or after excessive deduction of tax made. April 8 1987, commanies should

payment of a similar nature, dividend and will satisfy the Where a company or local income tax liability of the authority security has been sold shareholder at the new basic

ment.

This notice refers only very 29/71sts, the company should nonetheless pay ACT at the new rate. If the taxpayer is liable to income tax at the basic rate provisions. The Inland Revenue will shortly be issuing a Circular (Deduction of Income Tax from Interest etc—1987-88) setting out in more detail for payers and recipients the full implications in relation to each of the different types of paying the tax office will calculate to the deduction of income tax at the new rate. If he is liable to the higher rates of income tax the tax office will calculate this income on the basis of the deduction of income tax at the new rate.

subsequently makes or receives a further distribution, then the parts of the accounting period up to and after that date are treated separately for purpose of accounting for ACT.
Franked investment income received after the date of the
change cannot be set-off against franked payments made before

Construction industry tax deduction scheme: The deduction rate, to be applied to payments how to deal with employees who to uncertified sub-contractors, leave before PRP for a particunow to deal with employees who leave before PRP for a particular year can be calculated and paid. The rules will provide effect from November 2 1987. In the meantime, contractors should continue to make deductions who are known to be tractors who are known to be calculated and paid. The rules will provide effect from November 2 1987. In the meantime, contractors should continue to make deductions at the existing rate of 29 per cent. Later in the year contractors who are known to be per cent. Later in the year con-tractors who are known to be operating the deduction arrangements will be notified in-dividually of the change in rate.

that date.

Additional rate on trusts: The income of discretionary and accumulation trusts is charged to income tax at basic rate plus an additional rate which is fixed as the difference between basic Yes, if they meet the criteria and the second of the higher rates. When the trustees distribute the income to beneficiary gets credit for the basic and Schemes cannot be registered additional rate tax paid by the

Tax relief on profit-related pay doubles to 50% of linked earnings THE Inland Revenue issued the following statement after the Chancellor's speech: In his Budget the Chancellor speech: In his Budget the Chancellor proposed a large wincome tax relief or measure of income tax relief or participants in registered of the Exchequer proposed a period that relief could be proposed who receive profit related pay under registered pay under registered pay under registered chancel a part of their pay to profits. The Chancellor's speech: The Chancellor's speech: In his Budget the Chancellor income tax relief with a part of the Exchequer proposed a large measure of income tax relief would be equivalent to a penny off the basic rate of pay under registered related pay under registered pay under registered pay under registered their pay to profits. The Chancellor's speech: In his Budget the Chancellor income tax relief would be equivalent to a penny off the basic rate of pay income tax relief would be equivalent to a penny off the basic rate of pay income tax relief would be equivalent to a penny off the basic rate of the possible to produce audited and paid, for example, in the private sector, or a sub-unit of the private sector, or a sub-unit of the business. The Exchequer proposed a penny off the tax relief be participants in registered to pay under registered relief would be equivalent to a penny off the basic rate of the proposed rules have been the meressary conditions for PRP schemes to qualify for registration? The proposed rules have been the membrane after the employers will be free of the tax relief to the membrane private sector, or a sub-unit of the private sector, or a sub-unit of the business. The Exchequer proposed a penny off the tax relief business for the employers will be able to ended the profit figures for the employer will be able to ended the private sector, or a sub-unit of the tax relief business for the employers will be able to ended the private

their workforce and the country.

The new tax relief would be broadly along the lines floated profits so that employees pay in the Green Paper published in profits the profit which has July 1986. The principal change of the profit work. The Government wants more hust-

July 1986. The principal change been earned by their work. The the Chancellor proposes is to double the proportion of an employee's profit related pay which will be free from income tax from a quarter to a half.

A half of PRP would be eligible for tax relief up to the point where PRP is the lower of 20 per cent of the employee's total pay or £3,000. So for a married man on average earned by their work. The chosen definition of profits and profits are unchanged total profits and profits are the profits and profits are the profits and profits are the profits and profits ar

In his Budget the Chancellor of the Exchequer proposed a new income tax relief for employees who receive profit related pay under registered achemes which link a part of their pay to profits.

The Chancellor said two considerable advantages flow from arrangements which relate pay to profits. First, the workforce have a more direct personal interest in the success of their business. Second, there will be a greater degree of pay flexibility in the face of changing market conditions. PRP is no panaes, but if it became widespread the extra pay flexibility would help to defeat the scourge of unemployment.

The Chancellor challenged British managements to take advantage of this new tax relief would be profits for the good of their businesses, their workforce and the country.

The main and part-timers in the success of their businesses, their workforce and the country.

The Chancellor challenged British managements to take advantage of this new tax relief for the good of their businesses, their workforce and the country.

The main qualifying features are the scourge of unemployers are invited to write if they would be advantage of this new tax relief for the good of their businesses, their workforce and the country.

The proposed rules have been be worth?

Half of PRP will be free of the worth of the worth of the worth. The proposed rules have been developed in the relief could be avail.

The tax relief would be avail.

The tax relief would be avail.

The tax relief would be avail.

The tax relief on the proposed rules have been shelf of the worth of the wort

through a trust) cannot also qualify for the income tax

schemes to meet their own needs provided they have certain basic features. Full details will appear in the Finance Bill, and guidance notes will be issued by the Inland Revenue when these proposals have harms law.

● At the outset of the scheme the prospect must be that if profits are unchanged total PRP

profits. In either case there will be In either case there will be scope for modifying the effect of large changes in profits, in order to avoid large fluctuations in PRP or to safeguard a minimum level of profit.

Which measure of profits?

The basis for calculating the size of a scheme's PRP pool will be the level of profits on the ordinary activities of the employment unit after tax as defined in the Companies Act

defined in the Companies Act 1985. Schemes will, however, be able to provide for a number of

ployees must be determined and ployment unit is reorganised, paid at least once a year on the etc?

ments.

Calculating PRP profits and the amount of PRP payable to each employee.

Giving the tax relief due to each employee as part of the normal operation of PAYE.

The employer will need to east the scheme, and the certify the scheme, and the annual operation of it, to Inland Revenue, but otherwise Inland Revenue will not normally be involved in the day-to-day operation of PRP schemes. How much do auditors have to be involved?

An independent auditor's

report must accompany an employer's application for registra-tion of his scheme (to confirm What happens when employees begins join or leave a unit during paid

operation of a scheme, or if the employer changes, or if the em-New recruits may be excluded

This would be up to the em-ployer. But it would be possible for PRP to be introduced (or increased in amount) in place of a conventional increase in pay, and this might be coupled with a conversion of some existing pay to PRP.
Can existing schemes qualify?
Yes, if they meet the criteria Schemes cannot be registered

the employer can

Schemes cannot be registered until after the Finance Bill is trustees, and may claim repayment of the finance Bill is trustees, and may claim repayment where appropriate.

At present the additional rate is 16 per cent and the overall ployer's application for registration of his scheme (to confirm
it meets the statutory requirements) and his return at the
end of each PRP period (to
confirm the scheme and the tax
relief have been operated
properly).

What happens when employees

the employer can
the end of the budget proposals, the
basic rate for 1987-88 will be
the basic rate for 1987-88 will be
the per cent and the extent the basic rate for 1987-88 will be
the properly after Royal Assent
the properly after Royal Assent
the properly after the profit year
the properly after Royal Assent
the profit of the profit year
the profit of the profit of the profit year
the profit of the profit of the profit of the profit year
the profit of the • Get on the Inland Revenue's receiving income in 1987-88 will mailing list by writing to Profit get credit for 45 per cent tax. Related Pay Office, Inland whether the income was Revenue, St Mango's Road, received by the trustees in Cambernauld, Glasgow, G67 1YZ 1987-88 or in an earlier year.

مكنامن الدُميل

THE BUDGET: Details

Income tax reductions

New tax tables come into use from May 17

AFTER THE Chancellor sat down the following statement: in his Budgest the Chancellor of the will reach the age of 80 be showned in the basic rate of income tax to 27 per cent and increases in the main personal allowances in line with the statutory indexation requirement. There will be a new, higher level of age allowances in the hanges in higher rate bands. New tax tables reflecting the changes will be used by employers on the first pay day after May 17.

Any taxpayer which at present include a payers aged 80 and over who qualify for the new level of age allowance in 1867-88 and taxbides rate and increases in the thing main personal allowances in basic rate and the statutory indexation requirement. There will be a active, higher level of age allowance in the payers on the first pay day after May 17.

Any taxpayer which the statutors of the same after May 17.

Any taxpayer which at present include a payers aged 80 and over who qualify for the new level of age allowance in the payers who receive the blind person's allowance in basic rate and the taxpayer and his employers ("excessive basic rate" adjustment). These adjustments will be reviewed and revised to age allowance in the payer's occupational pension.)

The revised codes will generally take effect on the first pay day after May 17. Any taxpayer who is not examining these taxpayers of the same aged 80 or over in 1987-88 and tax the linguage rates. There are special adjustments in the PAYE codes of some intentify such cases and changes in allowances are due, the tax office will notify such cases and changes in allowances are due, the tax payer and his employers liable to tax at the linguage rates. There are special adjustments in the PAYE codes of some intentify such cases and changes in allowances are due, the tax payer and his employers liable to tax at the linguage rates. This is because the higher rates. This is because the higher rates. This is because the higher rate will be increased in the higher rates. This is because the higher rates are working ("e

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es also been substituted in Sec.

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It is proposed to increase the allowance for the blind by £180 to £540. Where a husband and wife are both blind two allowances can be claimed. For these couples the allowance therefore goes up by £360 to £1,080. Age allowance for those aged 89

Age allowance for these aged 89 and over:

A new, higher level of age allowance is proposed for people aged 80 and over. For them the rige allowance will be increased by twice the amount due under statutory indexation. The new allowance will therefore be \$8,070 for a single person aged \$9 or over and \$4,845 for a swarried couple where one of the partners is aged 80 or over. The allowance will be subject to the same income limit as the ordinary age allowance. Tax-

crease codes ending in L, R, P, or V by the appropriate amounts shown in paragraph 1. The new increased codes should take effect on the first pay day after May 17. Revised coding notices are not sent to employees when codes are increased automatic-

ally in this way. b For employees whose codes

and wife's earned income allowance

Married man's allowance Additional personal allowance and widow's

(age 65-79) Married age allow (age 65-79)

Single age allowance (age 80 and over) Married age allowance

(age 30 and over)

PERSONAL ALLOWANCES

2,335 3,655

1,320 360

2,850

50 190

110

170

220

and 45 per cent higher rates of tex. This notice explains how end in L, H, P, or V:

This changes will be implemented through PAYE.

Ethal Person's Allowance:

The codes ending in L, H, P.

allowance:

a expects to be entitled to age allowance following the proposed increase in the income limit, and

b has not been asked by the Where a taxpayer or his wife

or for the increase in the blind person's allowance or for the increase in the blind person's allowance or for the increase in the blind person's allowance or for the passes over 65 but their total income is shown a certain limit, the age allowance is progressively withdrawn until it is reduced to the level of the basic single or married allowance. It is proposed to raise this income limit.

The passes of the relevant date(s) of birth should be given.

Tax offices will

Tax offices will

Tax offices will

Newrae a taxpayer or his wife is over 65 but their total income indice of April to complete a tax return, should write to his or her tax office giving details of income limit. The below which age allowance is income limit. The below which age allowance is income limit, and be not been asked by the middle of April to complete a tax return, should write to his or her tax office giving details of income limit. The below which age allowance is income limit. The below which age allowance is income limit, the age allowance is the income limit. The possessively wither a tax return, should write to his or her tax office giving details of income limit. The possessively wither a tax return, should write to his or her tax office giving details of income limit. The possessively wither a tax return, should write to his or her tax office giving details of income limit. The possessively wither a tax return, should write to his or her tax office giving details of income limit. The possessively wither a tax return, should write to his or her tax office giving details of income limit. The possessively wither a tax return.

The passes of the basic single or and date of birth.

Wife's earnings election:

In certain circumstances a married couple may find it to the married age allowance will not must the tax year starting and the married age allowance will not must the tax payers that in the tax year starting and the married age allowance or fill, 120. For a ged 30 and over, the benefit of the law and the married age allowance for

SINGLE PERSONS AND MARRIED CCUPLES—INCOME **ALL EARNED**

COMPARISON WITH 1926-87 WHERE EARNINGS INCREASE BY 61 PER CENT BETWEEN 1966-87 AND 1987-88 INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (CONTRACTED IN)

	Charge for	1986-87			Proposed c	harge for '	1987-88	D
Weekly income in 1986/87	income tax £	NIC†	Percentage of total income taken in tax & NIC per cent	Adjusted* Income in 1987/88	Income tax £	NIC†	Percentage of total income taken in tax & NIC per cent	change in income after tax & NiC per cent
Single perso	ons		2.0	53.25	1.79	2.66	8.4	6.0
50.00	1.48	2.50		63.90	4.66	3.19	12.3	9.0
60.00	4.38	4.20	14.3 16.0	69.22	6.10	4.84	15.8	6.7
45.00	5.83	4.55		74.55	7.54	5.21	17.1	6.9
70.00	7.28	4.90	17.4	25.20	10.41	5.96	19.2	7.2
80,00	10.18	5.60	19.7		13.29	6.70	20.9	7.4
90.86	13,08	6.30	21,5	95,85	14.73	9.70	23.6	7.6
95,00	14.53	8.55	24.3	101.38	16.16	9.58	24.2	7.7
100.00	15.98	9.00	25.0	106.50	21.91	7.50 11.50	26.1	2.0
120.00	21.78	10.80	27.2	127.80	27.67	13.41	27.6	8.2
740.00	27.58	12.60	28.7	149.10	33.42	15.33	28.6	2.4
168.08	33.38	14.40	29.9	170.40	39.17	17.25	29.4	8.6
180.00	39.18	16.20	30.8	191.70	44.92	19.17	36.1	8.7
200.00	44.98	18.06	31.5	213.00	59,30	23.96	31.3	8.9
250.00	59.48	22.50	32.8	266.25	57,30 72,24	26.55	31.4	9.4
295.00	72.53	25.65	313	314.18	73.67	26.55	31.4	9.4
300,00	73.98	25.65	33.2	319 .50 372 .7 5	88.05	26.55	39.7	9.4
350.00	88.48	25.65	32.6 37.8	426.00	107.00	26.55	31.3	8.2
409.00	105.66	25.65		532.50	154.27	26.55	34.0	8.1
500.00	148.99	25.65	34,9	639.00	207.39	26.55	36.6	7.4
600.00	197.31	25.65	37.2	637.00	201.31	20-0-5		
Married co	explest	5.25	8.8	79.88	1.86	5.59	9.3	5.9
75.00	1.37 2.82	5.60	10.5	85.20	3.30	5.96	10.9	6.1
89.09		6.30	13.4	95.85	6.17	6.70	13.4	6.4
90.00	5,72	8.55	16.5	101.18	7.61	9.10	16.5	6.5
95.00	7.17 2.62	7.00	17.6	196.50	9.05	9.58	17.5	6.7
190.90	14.42	10.80	21.5	127.80	74.80	11.50	20.6	7.1
120.00	20.22	12.60	23.4	149.10	20.55	13.41	22.8	7.4
140.00	26.02	14.40	25.3	170.40	26.30	15.33	24.4	7 <i>.</i> 7
160.00	31.82	16.20	24.7	197.70	32.05	17.25	25.7	7.9
180.00		18.00	27.8	213.00	37.81	19.17	26.8	8.1
200.00	37.62	22.50	27.6 29.8	266.25	52.18	23.96	28.6	8.4
250.00	52.12 65.17	25.65	30.8	256.25 314.18	65.12	26.55	29.2	9.8
295.80	66.62	25.65 25.65	30.8	319.50	66.56	26.55	29.1	9,0
300.00	81.12	25.6S	30.5	372.75	80.94	26.55	23.8	9.1
350.00	95.62	25.65 25.65	30.3 20.3	426.00	96.46	26.55	28.9	8.7
409.00		25.65	30.3 32.6	532,50	142.42	26.55	31 <i>.</i> 7	7.9
500.00	137.56	25.65 25.65	32a 35.0	639.00	194.22	26.55	34.5	7.3
600.00	184.62	23.85	للحو	937.40	177.44			

National Insurance Contributions are at the standard Class 1 rate for employme state additional (earnings related) pension scheme

* The adjusted incomes shown for 1987-88 are for illustration. They have been obtained by increasing the corresponding incomes in 1936-87 by 61 per cent.

I Calculations assume that only the husband has earned income.

Friendly societies' limit revise

The following statement was issued by the Inland Revenue.

The Chancellor proposes in his Budget to change the limit on tax-exempt life or endow-ment assurance business carried on by friendly societies. For contracts made on or after September 1 1987, the limit will he based on annual premiums of £100 instead of (as now) a gross sum assured of £750.

The change is designed to help older, traditional friendly societies who primarily issue long-term policies to provide retirement or death benefits. It is the equivalent of a very substantial increase in the old limit for such policies.

The revised limit will apply to life or endowment contracts made on or after September I 1987 by a registered friendly society. Profits from such policies will be exempt from tax as long as the premiums on them do not exceed £100 a year.

Where premiums are payable Where premiums are payable more often than once a year, 10 per cent of the premium may be disregarded in applying the £100 limit. This will enable friendly societies to issue taxexempt policies with premiums of, for example, £2 a week or 50 a month.

£9 a month. From September 1 1987, an individual will be able to invest up to £100 a year in tax-exempt, "qualifying" life or endowment assurance with a friendly ment assurance with a friendly society. Qualifying policies do not normally attract a tax charge when they mature.

The Finance Bill will also rectify an omission in the 1985 Finance Act so that, as always rinance Act so that, as always intended, gains from any non-qualifying policies which may be issued by a friendly society attract a basic rate charge.

Tax-exempt limits on union benefits to rise

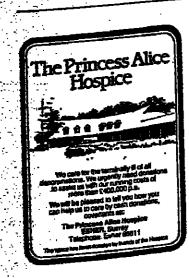
THE Inland Revenue issued the following statement after the Chancellor's speech: The Chancellor proposes in

his Budget to increase the tax-exempt limits relating to provi-dent benefits provided by trade unions for their members.

Provident benefits cover a wide range of payments to help members—for example, when they are sick or injured—and also include payments for the children of members who have died. To qualify for the relief the benefits must not exceed certain limits.

The new limits to apply from Budget day will be: lump sums, £3,000; annuities, £625.

The limits were increased in 1980 and 1982 in line with inflation. The 1987 increases reflect inflation since 1982.



WIFE'S EARNINGS ELECTION

The table below provides a guide to when an election may be beneficial. If the combined income is the figure in column A, then the wife's earnings must normally be within the figures in column B to make an election worthwhile. The figures are shown before the deduction of reliefs or personal allowances. 1987-88 proposed level

			87-88						
A Combined Income	86-27 B Wife's earnings £	A Combined income	Wife's earnings						
26,521 30,900 35,900 40,000 45,000 at least 48,425 * Provided of band's income ment income) i	6,986-19,535 6,048-23,952 5,478-29,522 5,309-34,691 5,128-39,872 4,896 and above ^a her income (hus- plus wife's invest- s also at least £4,890.	26,870 30,000 35,000 40,000 45,000 at least 48,541 • Provided of band's income ment income is	6,545-20,325 5,851-24,149 5,404-29,596 5,299-34,701 5,117-39,883 4,916 and above* they income (bus- plus wife's invest- also at least £4,916.						
COSTS (£m)									

1987-88

Proposed charge

RATES AND RATE BANDS

3.9

3.8

7.7

2,425 3,795

1,370 540

2,960

3,070

elof	tamble income	Proposed increase:	income £	Personal allowances Basic rate limit Reduction of 2p in basic rate*	total costs 705 60 1,910	indecation 10 1,910	indescation 10
7 9 5 6 5	8-17,290 17,291-29,290 20,291-25,490 25,491-33,390 33,391-41,290 Deer 41,200	760 43 200 1.6 — —	0-17,900 17,901-20,400 20,401-25,400 25,401-33,300 33,301-41,200 Over 41,200	Increase in further higher rate thresholds Totals * Excluding costs of £290 mill	5 2,680 ion in 1987-88 n in the rate (7,890 1,890 and £110 milli of Advance Cor	2,620 2,620 on in 1968-89 peration Tax.

MARRIED COUPLES-HUSBAND AND WIFE BOTH WORKING-INCOME **ALL EARNED**

COMPARISON OF INCOME AFTER TAX IN 1986-87 AND 1987-88 WHERE EARNINGS INCREASE BY 62 PER CENT

			•	Adjus	FET MEEKIN INC	ourse!	is: 191			
Weekly	Income in 198	£ 47	Charge in 1984-87 Percentage			in 1987-88			Percentage change in income	
Husband £ 100.88	Wife £ 50.00 100.00	joint £ 150.00 200.00	income tax £ 10.09 24.59	of income taken in tax % 6.7 12.3	Husband £ 196.50	Wife £ 53.25 106.50 159.75	Joint £ 159.75 213.00 266.25	Income tax £ 10.84 25.21 39.59	taken in tax % 6.8 11.8 14.9 16.9	after tax % 6.4 7.1 7.5 7.8
150.80	150.00 200.00 300.00 50.00 100.00	250.80 300.00 400.00 200.00 250.00	39.09 53.59 87.59 24.59 39.09	15.6 17.9 20.4 12.3 15.6 17.9	159.75	211.00 319.50 53.25 104.50 159.75	319.50 426.00 213.00 266.25 319.50	53.97 82.72 25.21 39.59 53.97 68.35	19.4 11.8 14.9 16.9 18.3	8.2 7.1 7.5 7.8 8.0
290.80	150.00 200.00 300.00 50.00	390.00 350.00 450.00 250.00 300.00	53.59 68.99 97.54 39.09 53.59	19.5 21.7 15.6 17.9 19.5	213.90	213.00 319.50 53.25 106.50 159.75	372.75 479.25 266.25 379.50 372.75 426.00	99.10 39.59 53.97 68.35 82.72	20.7 14.9 16.9 18.3 19.4	7.9 7.5 7.8 8.0 8.2
300.00	150.00 200.00 300.00 50.00 100.00	350.00 400.00 500.00 350.00 400.00	48.09 82.59 117.54 48.09 82.59 97.54	29.6 23.5 19.5 20.6 21.7	319.50	213.00 319.50 53.25 106.50 159.75	532.50 372.75 426.80 479.25 532.50	118,59* 68,35 82,72 99,10 118,59*	22.3 18.3 19.4 20.7 22.3	8.0 8.2 8.3 8.0 8.2 7.9 8.2
490.00	158.00 208.00 309.00 50.00 100.00	450.00 580.00 400.00 450.00 500.00	117.54 147.96* 97.54 117.54 134.13*	23.5 24.7 21.7 23.5 24.8	42.6.80	213.00 319.50 53.25 106.50 159.75	639.00 479.25 532.50 585.75 639.00	147.35° 99.10 121.43 137.54° 151.91°	23.1 20.7 22.8 23.5 23.8	8.2 8.8 7.9 7.5 8.3 8.4
	150.00 200.08 300.00	550.00 600.00 700.00	150.63° 179.63°	25.1 25.7		213.00 319.50 	745.50	180.67*	24.2 onding Incom	es in 1986-87

MARRIED COUPLES WITH TWO CHILDREN-INCOME ALL EARNED

COMPARISON WITH 1986-87 WHERE EARNINGS INCREASE BY 61 PER CENT BETWEEN 1986-87 AND 1987-88. INCOME TAX, NATIONAL INSURANCE CONTRIBUTIONS AND CHILD BENEFIT

					_		17	41-40		Change
Weekly Income £ 75.00 80.00 10.00 95.00	Income tax £ 1.37 2.82 5.72 7.17 8.62	1986-87 NICI £ 5.25 5.60 6.30 8.55 9.00	Child benefit† £ 14.20 14.20 14.20 14.20 14.20	Net income £ 82.58 85.72 92.18 93.48 96.58 108.98	Adjusted income¶ (2.79.88 a5.20 95.85 101.18 106.59 127.80	Income tax £ 1,36 3,30 6,17 7,61 9,05 14,80	NIC: 5.59 5.96 6.70 9.10 9.58 11.50	Child benefit £ 14.50 14.50 14.50 14.50 14.50 14.50	Net income§ £.93 90.44 97.46 98.97 102.37 116.60 129.64	Change in net Income* % \$.3 5.4 5.7 5.9 6.0 6.4 6.8
100.00 129.00 140.00 160.00 180.08	862 1442 2022 2602 31.62 37.62 52.12 65.17	10.89 12.60 14.40 16.20 18.00 22.58 25.65	14.20 14.20 14.20 14.26 14.20 14.20 14.29	121.38 133.78 146.18 158.58 189.58 218.38	149,10 176,40 191,76 213,00 266,25 314,18	26.55 26.30 32.85 37.81 57.18 65.12 64.56	13.41 15.33 17.25 19.17 23.96 26.55 26.55	14.50 14.50 14.50 14.50 14.50	143.27 156.90 170.52 204.61 237.01 240.89	7.1 7.3 7.5 7.9 8.5 8.5
250.08 295.90 300.00 350.00 400.00 500.00	66.62 81.12 95.62 137.56	25.65 25.65 25.65 25.65 25.65 25.65	14.20 14.20 14.20 14.20 14.20	221.93 257.43 292.93 350.99 403.93	319.50 372.75 426.00 532.50 639.80	80.94 96.46 142.42 194.22	26,55 26,55 26,55 26,55	14.50 14.50 14.50 14.50	279.76 317.49 378.03 432.73	8.7 8.4 7.3 7.1
600'00 200'00	184.62		nd has earned	income.					Releval Coornin	us related)

• Calcula

Post July 1986. National Insurance Contri pension scheme. gs, less tax and national insurance contributions, plus child benefit. It does not include any means tested benefit shown for 1967-88 are for illustration. The

SINGLE PERSONS—INCOME ALL EARNED Reduction in tax after

	Charge	for 1986-87	Proposed cha	arge for 1987-88 Percentage of	7-88 proposed change te of As percent				
		Percentage of total income		total income		of total			
Income	Income tax	taken in tax	Income tax	taken in tax	Income tax	Income			
£	£	per cent	£	per cent	£	per cent			
3,000	193	6.4	155	5.2	38	7.3			
4,000	438	12.1	425	10.6	58	1.4			
5,000	773	75.5	695	13.9	78	7.6			
6,000	1,063	17.7	965	16.1	98	1.6			
7,000	1,353	19.3	1,235	17.6	118	1.7			
8,000	1,643	20.5	1,505	18.8	138	1.7			
9,308	1,933	21.5	1,775	19.7	758	7.8			
7,200 30,000	2,223	22.2	2,945	20.4	178	1,8			
10,000 12,000	2,803	23.4	2,585	21.5	218	7.8			
14,800	3 383	24.2	3,125	22.3	258	1.8			
16,800	3,383 3,963 4,543	24.8	3.665	22_9	298	1.9			
18,600	4 642	25.2	4,205	23.4	338	1.9			
70,000	5,174	25.9	4,745	23.7	429	21			
20,000 25,000	7,298	29.2	6,812	27.2	486	1.9			
20,000	9,660	32.2	9,170	30.6	490	1.4			
38,000 48,000	14,878	37.2	14,384	36.0	494	1.2			
	20,702	41.4	26,203	40.4	4 9 9	7.0			
50,000	26,702	445	26,203	43.7	499	9,0			
60,000		46.7	32,203	46.0	499	0,7			
70,000	32,702	70.7			•				
•									

MARRIED COUPLES -INCOME ALL EARNED

8,000 9,000 10,000 12,000 14,000 14,000 18,000 25,000 39,000 40,000 60,000 70,000	1,260 1,550 1,840 2,420 3,000 3,580 4,140 4,740 6,703 9,001	17.2 18.4 20.2 21.4 22.4 23.1 23.7 26.8 30.0	1,405 1,675 2,215 2,755 3,295 3,835 4,375 6,195 8,486 13,631	15.6 16.8 18.5 19.7 20.6 21.3 21.9 24.8 28.3 34.1	145 765 205 245 285 325 365 508 515 522	1.6 1.7 1.8 1.8 1.8 2.0 1.7 1.3
40,000 50,000 60,800 70,800	14,153 19,910 25,910 31,910	35.4 39.8 43.2 45.6	19,381 25,381 31,381	38.8 42.3 44.8	529 529 529	1.1 0.9 0.8

•	ELDE	RLY SIN	GLE PE	RSONS-	-INCOME	EALL	EARNED
	3,000 4,000 5,000 6,000 7,000 8,000 9,000	44 334 624 914 1,204 1,494 1,784 2,190	1.5 8.4 12.5 15.2 17.2 18.7 19.8 21.9	11 291 551 821 1,091 1,361 1,431 1,937 2,315	0.4 7.0 11.0 13.7 15.6 17.0 18.1 19.4 21.0	33 53 73 93 113 133 153 253 198	1.1 1.3 1.5 1.6 1.7 1.7 2.5 1.8

UDERLY MARRIED COUPLES—INCOME ALL EARNED

5,000 6,000 7,000 8,000 9,000 10,000 11,000	144 434 724 1,014 1,304 1,710 2,130 2,420	2.9 7.2 10.3 12.7 14.5 17.1 19.4 20.2	358 358 628 898 1,168 1,474 1,724 2,215	1.8 4.0 9.0 11.2 13.0 14.7 17.5 18.5	56 76 96 116 136 236 204 205	1.1 1.3 1.4 1.4 1.5 2.4 1.9

Effect on Miras

Rise in interest payment likely

cent. The effect will generally change be a small increase in the in-

borrowers make on loans within the Miras (mortgage interest relief at source) scheme.

Income tax should be deducted from interest payments within Miras in 1987-88 at the new basic rate of 27 per cent. The effect will generally societies and other lenders will send details of revised payments of their borrowers. Any queries about the revised amounts payable should be addressed to the lenders contact their lenders. If they do exercise this pution or did

interest payable is Miras interest payable and paid future years.

the following statement after the Chancellor's speech.

The Chancellor proposes in his Budget to fix the mortgage interest relief limit for 1987-1988 at £30,000 (the same as for 1986-87).

Effect of the reduction in basic rate of income tax from 29 per cent to 27 per cent to 27 per cent for 1987-88 will affect the amount of the payments that borrowers make on loans with-The Inland Revenue issued £204.16 per month. At the pre- on or after that date. For

be a small increase in the in-terest payments to be made. For effect from the start of the consistently during the life of example, on a home purchase 1987-88 tax year on April 6 the loan should there be further loan of £20,000 at a rate of in1987. Deduction of tax at the changes, either increases or

terest of 12.25 per cent the rate of 27 per cent applies to reductions, in basic rate in

of the

burden

One of Sir Geoffrey Howe's

first acts as Chancellor of the Exchequer in 1979 was to

ask Lord Cockfield to review

The review was covert rather than open. No report was published. But each

Budget since then has seen death and gift taxes progres-

sively reduced or dismantled, first under Sir Geoffrey and

perhaps more so under Mr

It might have been expected that the pocess had finished in 1986, when gift tax was abolished between individuals except for gifts made within seven years of death-virtually restoring the old agents of the polymer of

death virtually restoring the eld estate duty, though call-ing it an inheritance tax. But the process has been con-tinued in 1987, though less

Primarily, the easement takes the form of raising the threshold by much more than the inflation rate. An increase

in line with the rise in the retail price index would have raised the threshold from

271,000 to 274,000. Instead the Chancellor Proposes a 27 per cent increase in the threshold

At the same time he has educed the number of rate

bands from seven to four. Above the threshold the rates

still rise from 30 per cent to

60 per cent but because the bands are wider much less tax

will be paid.
The Chanceller gave an

interesting if unconvincing reason for the big increase; to

elp those with more oderate fortunes whose

main asset was a house. The argument would have had

some force if there was a danger of inheritance tax compelling a widow or widower to leave the family

home. It ceases to be a power-

ful moral argument when transfers, as with capital transfer/inheritance tax, are

On settled property held in

Inheritance tax

trust he has also eased the tax burden. - Under the inheri-

tance tax rules introduced

last year, lifetime gifts between individuals entside the seven-year period were to

be tax free, lifetime gifts into

and out of trusts carried tax at half the rate applicable at death save in the case of trusts for children and the disabled. This year he

disabled. This year he proposes to apply the same rules to trusts as to lifetime either when the same rules to the same

CEDRIC SANDFORD

tax-tree between spon

dramatically.

Capital Transfer Tax.

win an on course victory

THE CHANCELLOR'S decision to raise an extra £20m in gaming machine duty so as to recoup the £20m lost by abolishing on-course betting duty may sound like a piffling exercise in moving small sums

In reality, it represents a cheer-

In racing folklore, the Chancellor's move will even rival yesterday's sweeping victory by See You Then in the Waterford Crystal Champion Hurdle at Cheltenham, for it marks welcome as an intelligence merits welcome as an intelli-gent attempt to breathe fresh life into British racing by life into British racing by tinkering with the fine print of the gaming and betting

duties. On the one hand, the tax on On the one hand, the tax on on-course (racecourse) betting, which is currently 4 per cent, will be scrapped from March 29, with the tax on off-course betting unchanged at 8 per cent.

To counteract his loss of £20m the Changellan is estimated.

the Chancellor is raising the the Chanceuor is raising the gaming machine licence duty from June 1. though not onerously. Net result: zero, for the moves are revenue

The decision to abolish oncourse betting duty should changed help nudge racecourse attendances higher once more. "Whoo because those who attend again." ci because those who attended a process and the second and stinct tax advantage over those who bet off-course.

At present, the backer of a 10-1

At present, the backer of a 10-1

Output Division of the Wine and chairman of

course wins £100 gross, pays £4.40 tax, and shows a net profit of £95.60. From March 29 he will pay zero tax, whereas the betting shop punter who invests £10 on a

Gambling taxes MICHAEL THOMPSON-NOEL

10-1 winner will pay £8.80 tax (8 per cent of winnings plus stake).

Lord Fairhaven, senior steward of the Jockey Club, said that he was "delighted" with the Chancellor's much-needed boost for the spectator side of racing.

He added that the Chancellor's positive discrimination in feature of racing as pack on its maritorio brands, said the industry would benefit because the price of premium brands would not be pushed beyond the pocket of most smokers.

positive discrimination in favour of racegoers would racecourses, the strengthen the on-course betting market, and help counteract the advantage given to off-course bookies who are now free to show televised racing in betting

In this regard, a further boost to the previously-shabby world of High Street betting world of High Street betting comes in May with the introduction of satellite broadcasts to betting shops. Satellite coverage—including live television and video, teletext and sound—is expected to be available country-aride in 12 months.

country-wide in 18 months.

Total offtrack betting in 1986 was approximately £3.9bn, yielding £310m in betting duty. Turnover on-course was about £500m, yielding £20m. The campaign to scrap on-course tax colminated in a Jockey Club-led delegation to

Mr Peter Brooke, the Treasury Minister, in London in January. Lord Fairhaven was accompanied by Mr Charles Morrison, chairman of the Parliamentary All-Party Racing Committee, Sir Ian Trethowan, chairman of the Horserace Betting Levy Board, Sir Nevil Macready. chairman of the Horserace Advisory Council, and Mr Christopher Foster, secretary to the Jockey Club. Both Lord Fairhaven and Sir

Ian underlined their concern that live TV horseracing fed daily into betting shops would hit attendances at the smaller mid-week racing fixtures

(over half the total).

They were able to quote Customs and Excise statistics for April-October 1986 (the first six months after TV sets were allowed in betting shops) which showed an in-crease of 7.3 per cent in offcourse turnover but a 4.6 per cent fall in on-course betting.

They also argued that the pyschological lure of tax-free betting on-course would be a powerful marketing weapon, and that, anyway, radical im-provements in racecourse facilities were needed in the short-term.

A recent Levy Board survey found that if finances were available, racecourses would like to invest £40m in better amenities between now and

From his lofty vantage point, the Chancellor has seen fit to listen to the Jockey Club's plea for a special deal for racecourses. His fiddling with the figures won't mean anything to those crushing into Cheltenham this week. But it could help ensure a massive turnout at Aintree on April 4 for the Grand National.

THE GOVERNMENT'S decision an information mailing facility increasing pay flexibility in the to press ahead with proposals at the Cumbernauld tax centre economy — one of the Chanrelationship between the PRP economy to profits was in Scotland, from where the cellor's two primary objectives of the specified "employment cellor" and the specified the linking pay to profits was in Scotland, from where the

coupled with a Budget challenge from the Chancellor to management. He urged managers to take advantage of the offered tax relief not only for their own good and that of their embut also for their ployees.

The Chancellor's decision to make such a directly patriotic appeal may be connected with the relatively cool response the Government's consultative green paper on profit-related pay (PRP) drew from many orgaof money by Customs and Excise.

In reality, it represents a cheering victory for the racing establishment—notably the Jockey Club—in its bid to protect the racecourse in-

Jockey Ciub—in its pin to protect the racecourse industry from the omnivorous march of the off-course, High Street betting battalions.

I racing folklore, the Chancellor's move will even rival cellor's move will even rival course.

The racecourse industries of some employers, most will not be surprised that the Government intends to press ahead. Detailed proposals will be set out in the Finance Bill, and employers can begin to register. employers can begin to register schemes once it is approved, probably in July or early

Three cheers for an unexpected freeze

THE FIRST tax standstill on cigarettes since 1978 has been greeted by the industry as a welcome—if belated—sign that

the Government has recognised

the adverse impact of its poli-

cies on jobs. Alcoholic drinks makers also

suggested that their commercial

arguments, rather than elec-

tioneering, were the main reason for keeping drinks duty un-changed for the second year

again," cheered Mr Nick Gent, chairman of the Wine and

Clive Turner of the industry-

The freeze would help combat the influx of cheap European

imports, which had captured about 10 per cent of the UK

cigarette market in only three

"We are obviously very

pleased that the arguments we and the retailers have put up have had an effect," Mr Turner added. "It gives us a period of

desperately-needed stability after all these years."

Officials at Philip Morris, which last December lopped 5p a pack off its Marlboro brands,

As a result, they would no

longer be tempted to "trade

down" and buy imported own-label brands. "Now we can con-

solidate and turn our attention to counter - attacking cheap

PSBR takes

priority over

ONE OF the most notable

features of yesterday's Budget was the Government's decision to devote the larger share of its scope for fiscal adjustment to lowering its projection for public borrowing rather than entiting toward.

cutting taxes.

The decision to cut the

PSER to only £4bn from the £7bn originally planned was largely unexpected. Most independent forecasts had expected a £5bn to £6bn PSER target combined with

heftier cuts in income tax.

The cut in the PSBR target,

combined with the Chan-cellor's estimate of a £4bn PSBR in the current fiscal

year against a £7bn projec-tion, represents a significant

tightening of fiscal policy.

Borrowing both this year and next, at only 1 per cent

Money supply

JANET BUSH

will be substantially lower than the 11 per cent implied by the \$7bn PSBR targets

incorporated into the latest version of the Medium Term Financial Strategy.

the Chancellor's projection for

the borrowing requirement next year was that his arithmetic looked credible and

could even err on the cautious

Chancellor finally confirmed that he had dropped his target range for broad money

supply, Sterling M3. This had

been widely expected after a speech in Loughborough by the Governor of the Bank of

England last autumn. He had explained in detail

the official view on why the

link between broad money growth and inflation had

The Chancellor's 2 per cent

to 6 per cent target range for

narrow money MO next year was unchanged from the range this year, both of which

were pencilled into the MTFS.

broken down.

The immediate reaction to

tax cuts

Council.

Tobacco Advisory

scheme will be administered (creating 60-100 new jobs), and by distributing to all PAYE employers a PRP information request form in about seven weeks time.

Although the Chancellor oped that take-up among

Profit-related pay PHILIP BASSETT

employers would grow, PRP specialists yesterday suggested that the projected tax relief cost in 1988-89 of only £50m seemed to indicate acceptance of a low response rate, at least

Mr Saul Estrin, of the London School of Economics, welcomed the new moves, especially if the take-up rate grows. He agreed with Mr Bryan Stevens, director of the In advance of that the Government is trying to stimulate ation, that the measures might employer interest by setting up be more directly geared to features are:

According to Imperial Tobacco, the industry has lost almost 20,000 jobs since 1974.

Seven factories have closed

still impose price increases. The Marlboro cuts, which were

closely followed by selective reductions in several Imperial

Tobacco brands, disturbed the long-standing pattern of twice-yearly price rises.

Tobacco companies have for

several years increased prices

in the autumn and winter. Last

Tobacco and

alcohol

CHRISTOPHER PARKES

December's reductions appear

or cancellation of the expected all-round January increase.
A typical premium brand of

cigarettes costs about £1.51p,

broken down into 384p for manufacturers and distributor's

costs and profits and 1123p duty

One leading cigarette maker

said the standstill allowed a

little headroom between the cur-

rent price of a pack of 20 and

the point at which consumer re-

"However, we are all look-

ing at one another very carefully. It remains to be seen if

sistance would set in.

increases will follow."

to have led to the postpon

However, manufacturers may

- rather than his other of increasing employee

The Budget contained one significant change to the version of the proposals, contained in the Government's PRP green paper, a doubling from a quarter to a half the proportion of an employee's PRP which will be free from income tax. As the table using Treasury estimates, shows in detail, a half of PRP would be eligible for tax relief up to the point where it is 20 per cent of the em-

ployee's total pay, or £3,000, whichever is the lower. Tax relief would be available to PAYE-paying employees working in the private sector whose employers register their whose employers register their PRP schemes with the Revenue before the profit year begins. Those sceptical of the scheme yesterday repeated their criticisms of its exclusion of all public-sector employees.

Detailed guidance notes on which the Government claims is as simple as pos-sible—will be issued by the

Billion

Cigarette production

1977 78 79 80 81 82 83 84 85 86

Even so, while opinions sup- and Vintners, a Grand Metro-

he added.

unit"—a whole business or a sub-unit of it—and the audited profits generated by it.

 New recruits may be excluded from the scheme for up to three years (and part-timers com-pletely), but at least 80 per cent of a unit's other employees must be covered. • At the start of the s

there must be potential for PRP to become 5 per cent of total Dây.

● A scheme must last for a

minimum of a year.
Under these provisions, employers will have a choice of two ways of linking profits and PRP. Total PRP, or the "PRP pool," can be either a simple proportion of profits, or a sum of money which varies in line with year-on-year changes in profits. The basis for calculating the size of a PRP pool will be the level of profits on the ordinary activities of the employment unit after taxation, as defined in the 1985 Companies

Home produced



(i) 1987-88 tax rates and allowances (ii) No other income allowances or tax relief

decide, for instance, if PRP were to be introduced, or increased, in place of a conventional new increase. tional pay increase. Alternatively it might be coupled with a conversion of some existing

PRP, however, must be determined and paid at least once a year on the basis of audited profits. But the Revenue says it can be calculated on an interim The Government is trying to basis as frequently as desired provide as much flexibility in and paid, for example, in the patriotic challenge is there. How many employers accept it monthly or even weekly pay by establishing schemes will be would be for the employer to packets along with the convention real test of the idea.

Analysis yesterday saw the primary change as an attempt to increase the job-creation potential of the scheme. However, they pointed out that the heme is still a far cry from: e full-blooded proposals ignally set out by the originally set out by the Chancellor in April last year to the National Economic Development Council Even so, between the council Even so, and the

Inland revenue closes the net

the Inland Revenue and Lloyd's of London reached a climax with the change in the chang with the change in tax treat-ment of the so-called "reinsur-ance to close" contracts made by the 400 Lloyd's insurance

The change will make the treatment of these contracts equivalent to that of the outstanding claims reserves, made by insurance companies to provide against future lexes. This

ance principles in handling the issue. However, up to 100 Lloyd's syndicates are said to be in dispute with it. Reinsurance-to-close most significant item in the

Lloyd's NICK BUNKER

ported the industry view that the Budget offered a chance to slow the advance of West German imports, there was stability helped sales of quality branded products. accounts. In 1983 it accounted for £2.9bn of the market's total premium income of £6.8bn. It also helps us to improve Lloyd's underwriters take three years to assess the final profit or loss made by a syndi-The Scotch Whisky Associa-The Scotch Whisky Associa-tion, on the other hand, seemed cate in a given year. So disappointed. "Sales are flat syndicates are now closing their accounts for the underwriting and this wil do little to stimubeen forecasting increases of fits on the drinks business were late them. The situation really anything between 3p—in line with inflation—and 10p a pack, was taken aback by the freeze.

The freezes commercial bend late them. The situation really required imaginative action and this was not forthcoming," and this was not forthcoming, and this was not forthcoming, it said.

writing members ("names").

However, underwriters have to provide for further claims on the insurance policies written in the year in question. They do this by paying over a sum-known as the reinsurance-to-close premium—into the next accounting year of the syndicate, whose future members bear any new losses. The complex calculation includes an allowance for

cates have overestimated the reinsurance-to-close premium. This would unreasonably cut the profits distributed to names, but also reduce their tax charge, and unduly benefit future generations of names on the same syndicate.

vide against future leves. This could significantly raise the tax taxation principles (starting bill of many of Lloyd's 30,000 members.

A common view at Lloyd's close will be treated as a proclose will be treated as A lot will hinge on the defini-tion of "acceptable statistical methods," at a time of highlytechnical argument among in-surers and actuaries about the proper bases of lose reserving.

The syndicates' reply is, first, that underwriters already use the best available criteria in their calculations; and, second, that reinsurance to close is not a reserve, but a contract between the members of syndicates for successive years (which also has the effect of terminating the tax liability of names when the year's account

is closed). The worst case scenario is that the Inland Revenue could, say, challenge a £100m reinsurby a Lloyd's syndicate. If tax before allocating profits or losses to the syndicate's under writing members ("names").

A helping hand to cross the skills barrier

TAX concessions on retraining course paid for or reimbursed by an employer and aimed at company through a redundancy programme to gain skills enhancing the same and simed at providing him with skills for a new job or setting up a business.

The company will be able to ment chances. The measure is aimed at

lowering the risk that workers will be unemployed for long periods after being made redun-

Training CHARLES LEADBEATER

The company will be able to

The company will be able to offset the cost of such courses against taxable profits. Spending on training for those who remain within a company's employment is already an expense allowable against tax. The Treasury estimates the cost of the relief will be negligible.

A welcome for the changes

A welcome for the changes came from the CBI, which had dant. Ministers were con-cerned that a period of unem-ployment could leave workers rusty in terms of skill and said the measure would improve demotivated in looking for a training, but only marginally, The Manpower Services Com-mission warmly welcomed the move, saying it would ramove obstacles to retraining.

The Chancellor made some play in his speech on the rise in revenue from capital transfer/inheritance tax. He little zore in 1986-87. This represents a reversit of recent trends when the yield of CIT-has been falling as a proper-tion of tax revenue and of G.D.P. On the face of it this easements of the tax. Two-factors are largely respon-sible. When CPT was introduced in 1974-75, for the first time transfers between

their effect. But, even this "high yield" is still only going to contribute about 1 per cent to central Government tax contributed before its abelition in 1974; and estate duty was widely dubbed "the

Good moves as far as they go

slow the advance of West German imports, there was

agreement that British manu-

facturers would have to take

action to regain market share.
The options were either to

market more cheap brands, or

accept the inevitable and agree to manufacture own-label

cigarettes for retail chains and

cash-and-carry wholesalers.

aimed specifically at small busi-nesses, several of the lobby bodies welcomed his general measures aimed at reducing per-sonal and corporation taxes and at bringing down interest rates.
Mr David Trippier, Small
Firms Minister, declared himself "highly delighted" with the Budget measures. They were in line with his own belief that it was better to improve the position of small businesses through measures which would benefit all, rather than special

"My heaviest postbag was on VAT," he noted, and singled out as an important step the move to make small firms liable for VAT only when they had themselves been paid for goods or services.

Mr Trippier welcomed the changes aimed at reducing the bunching of BES investments

to raise by 10 per cent tax paid by 2m company-car users was described as unnecessary and

harsh by the Motor Agents

Company cars

The price of petrol is well

below the 185pa-gallon average 1.8m new car sales.

of January last year. The society said the Chancellor, by holding the tax at its current lead to a switch from company

The Society of Motor Manu-facturers and Traders said the rise was excessive and that the

CHARLES BATCHELOR the Chancellor's failure to re-

instate a limited form of stock relief abolished in the 1984 It was happier, however, with the BES changes, noting they would give investors more time

to assess companies.

Mr Charles Fry, chairman of Johnson Fry, a leading promoter of BES schemes, was less impressed. By limiting the amount of income the investor could carry back to the previous tax year to a maximum of £5,000, investors who put in the maximum £40,000 into a BES issue would still be uncertain towards the end of the tax year and said the fact that no other about the tax position of £35,000 changes had been made would

tax on company cars at a rate much higher than the inflation

The Government has stuck to

its guns. Once the rate comes into effect in 1988-89 the tax will have been raised by 68

It says higher taxation might

level, was making a hidden in-crease.

Chancellor should have cut tax on company-provided petrol or diesel fuel.

The price of petrol is well

per cent in four years.

The society says this rise is 54 a week for the car, com with 53.63 in 1987-88.

pany-car users will purple further 53.11 a week if the pany also provides fuel.

per cent in four years.

However, nobody should have been surprised by the Chancellor's action. The Government, when it first began attacking all kinds of corporate perquisites, said it intended to keep raising the companies of a same like companies.

"A MIXED BAG, helpful but reaction from a number of small business lobby groups and professional advisers to the Value Added Tax and Business Expansion Scheme changes.

But while criticising the Chancellor for ignoring many of their suggestions for budget changes aimed specifically at small businesses, several of the lobby bodies welcomed his general measures aimed at reducing personal services of the lobby bodies welcomed his general measures aimed at reducing personal services and services are services and ser next generation.

believed a measure of price

our planning and forecasting,

The decision to let businesses with sales of up to £250,000 complete only one VAT form a

year instead of four was also The National Federation of Self-Employed and Small Busi-

nesses was relieved at the decinesses was relieved at the decision not to deregister compulsorily firms with turnover below £21,300 for VAT purposes. This step could have meant deregistered firms losing business from a participated forms. business from registered firms since the latter could not have claimed back their allowances.
The CBI expressed disappointment that the VAT changes would apply only to firms with turnover of up to \$250,000. A higher limit would ploy to be compared the medium-sized on the compared the medium-sized on the compared the medium-sized on the compared the com

cated by many UK companies.

However, most independent observers still think the com-pany car is a perk worth having. The Inland Revenue says the

tax paid by the average com-pany motorist driving a 1600cc car which is less than four

years old will rise only to about

£4 a week for the car, compared with £3.63 in 1987-88. Com-

pany-car users will pay a further £3.11 a week if the com-

The recently-published Monks

Guide to Company Car Policy

says: "The overwhelming evi-

dence is that, for most indivi-

After the tax changes, an em-ployee will no longer be taxed

An executive perk still worth having Company car tax benefits

5,000 miles or more a year) it crease faster than the rate of is likely to be worth having a company car.

"The scale charges have increased and are likely to in-

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gions to

some tax

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Secretary of

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gifts where there is a clear individual beneficiary. The proposal would not apply to discretionary trusts. discretionary trusts.

Mr Lawson has continued the policy of his predecessor in granting reliefs to industry. Hitherto there has been a 30 per cent relief on the transfer of minority shareholdings in unquoted companies. He now proposes to increase this to 50 per cent where the minority holding is between 25 per cent and 50 per cent before the transfer.

Previously the 50 per cent relief was obtainable only for majority holdings. However, the relief for minority shareholdings will not be available holdings will not be available for shares in companies dealt in on the Unlisted Securities Jarket. Recognis-

ing the development of this market, the Chancellor intends to treat such shares en the same basis as companies with a full listing on the Stock Exchange. The increased thresholds mean that a millionaire couple can, irrespective of the way the property is divided between them, pass, campletely free of tax, £180,000 every seven years to their children. This is spart from gifts out of normal income, marriage gifts or gifts which

free. It was to be expected that this would lead to a lag in receipts — a fall, then a

Further, the beem on the Stock Exchange and in hous-ing must have been having

Basic rate of 25% in reach

AS IN 1986 the Chancellor has only obtain a 0.7 per cent preferred to cut the basic rate of income tax, this time by 2p No changes in national insur-

and more — through a "super-aged" allowance, and the blind, have benefited from a higher-than-inflation increase in allow-

On the other hand the Chancellor's long-term aim, a basic rate of 25 per cent, is now well within reach, provided the electorate gives him or a Conservative Party successor the opportunity.

Overall the package is less favourable to higher-rate tax-payers than had been expected.

income tax MALCOLM GAMME AND

Last year the in cut in the basic rate was not reflected in the higher rates. The same is true this year. Those whose income goes over the basic rate threshold — fully-indexed to \$17,900 — will face a jump of 13 per cent to the first higher

rate of 40 per cent.

In addition, however, the threshold for the 45 per cent band is increased by only £200, rather than a fully-indexed £900, while those for the 50, 55 and 60 per cent rates are not altered, even to allow for infla-

Last year the thresholds were increased but not by the full indexation amount, so that for two years in succession there has been a real cut in the higher-rate thresholds. Overall since 1979 it is the

higher income groups who have benefited most from changes in income tax, and the effect of the past two years has been to weight the benefit of the basic rate cut in favour of those at the lower income

of £20,000 will see a 2.1 per

to 21 per cent, rather than to increase the main personal allowances by more than the inflation rate.

Only the very old—30 years

No changes in danonal insurance rules were announced.

Middle managers at that level of income and with a company car will also see a 10 per cent rise in the scale benefit charge. However, by reducing the basic rate rather than overindexing allowances, the maximum income tax relief is again concentrated on those at the upper end of the basic-rate band, and on those at the start of the first higher rate band, and thus offsets any additional national insurance contributions and scale charge suffered at that level.

at that level. The charts illustrate the relative change in disposable income at five income levels since 1983 and offer a comparison between the family with two children but only one earner and a similar family where both

and a similar family where both parents work.

It is assumed that pay over the period has risen in line with increases in average earnings. Accordingly the chart reflects the fact that average earnings—and, accordingly, disposable income—have increased faster then inflation. faster than inflation.

Disposable income has been calculated after income tax and national insurance contributions have been deducted and child benefit added. The resulting amount has been adjusted for inflation, to demonstrate the real spending power of the net income available to the family in each year.

A cut in the basic rate has several knock-on effects in the tax system. Payments made under deduction of basic rate tax, such as rent paid abroad or interest payments made by companies, will now be subject to a lower level of deduction. Those covenants which are expressed in terms of gross payment-rather than a sum after reduction of tax-must from April 6 adjust the amount of tax they deduct from the

Discretionary and accumulation trusts pay tax on their income at the basic rate and an additional rate, being the difference between the basic rate and cent cut in tax as a proportion of total income, whereas a single person on £70,000 will the second higher rate. Rs this ments to subcontractors in the construction industry who do

move to make 10 per cent of new development costs offsetable against petroleum revenue tax from existing fields, although they doubted whether the effect on the property of the country o

its effect on the pace of offshore

an allowance of at least 20 per cent and had asked for a series

cent and nad asked for a series of other measures including lowering the rate of this tax.

Mr Roland Shaw, chairman of Premier Consolidated Oilfields, said yesterday: "We had asked for 20 per cent but 1

had expected zero, so this really

campaign to persuade the Chancellor to extend tax con-

Charities

LISA WOOD

cessions for charitable work.
In the event, Mr Lawson extended VAT relief to four

The installation or adapta-

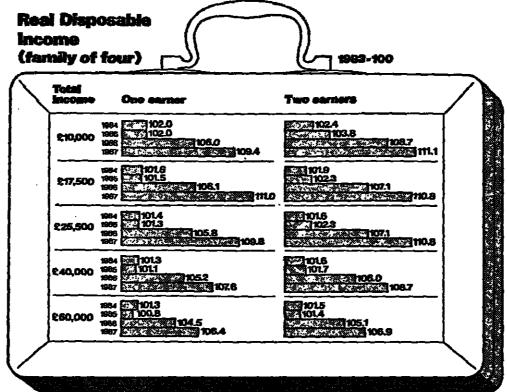
Drugs and chemicals directly

used by a charity in medical

new areas:

development would be quick or dramatic.

is not too bad."



These charts illustrate the comparative increase in spending power of families with selected levels of income. The second income is assumed to be £5,000 throughout and, at each level of income, child benefit for two children has been included. The levels of gross earnings shown are those for 1987-88. Disposable income in earlier years has been calculated by adjusting back these earnings in line with changes in average earnings and deducting income tax and national insurance contributions. Spendable income has then been restated at its March 1987 value, taking account of changes in the Retail Price Index. No allowance has been made for tax relief on mortgage interest or pension contributions

mirrored by a 2p increase in the additional rate. However, also fall from 29 per cent to credit for the 45 per cent tax charged is given when income is distributed from the trust.

November 2.

The first charge will to its shareholders. However, a composition of \$100,000 or \$100,00

Mortgage interest payments under the Miras scheme will rise to reflect that tax relief is only being given at 27 per cent. However, the effect of this change may be masked by a fall in interest rates after the Budget. The Chancellor has not raised the £30,000 threshhold for Miras relief, nor has he restricted the relief to the basic rate only.

Oil

LUCY KELLAWAY

uick or dramatic. get it changed to 20 per cent in on research that does not relate to any particular oilfield to

The 10 per cent allowance, which applies to offshore oil-fields but not onshore develop-

ments or those in the Southern

per cent for companies paying

both petroleum revenue tax and

the size of the allowance, was anxious not to distort the sys-

ment last year to support and develop the work of the charit-

able sector, said the measures

announced yesterday would be helpful.

It said the Treasury had

estimated the savings at up to

£5m but it calculated that the sum would be more like £1m

sum would be more like that to £2m. The group expressed disappointment, however, that the Chancellor had not exempted VAT on building

It said, for example, that the Jewish Blind Society was spend-

ing £750,000 on converting a home in north London on which

the VAT would be £75,000. The exemption on bathroom facilities would reduce this sum by

alterations.

The Government, in deciding

corporation tax.

Extension of VAT relief

'helpful but disappointing'

CHARITIES described the extension of VAT relief on some of their activities as "helpful but disappointing overall."

Charities had launched a charities, which had asked Mr Lawson to build on his commit-

Gas Basin, will cut new oilfield for three years development costs by about 6 involved are small.

chairman of British Indigenous anxious not to distort the system of British Indigenous anxious not to distort the system of British Indigenous anxious not to distort the system of British Indigenous anxious not to distort the system of States in the limited that were uneconomic before the four that were uneconomic before the four that were uneconomic before

Half measure better than nothing

However, the advance cor-poration tax payable by a com-pany on its dividends is auto-matically reduced from 29/71sts to 27/73rds, to provide a share-holder with a tax credit reflect-ing his reduced basic rate liability.

For a company paying the full corporation tax rate after this March an incidental effect of this is to increase from 6 per cent to 8 per cent the amount of tax ultimately borne by the

clude Arbroath, Bruce, Ness, Don, Ettrick, Kittiwake, Miller,

revenue tax — was yesterday thought to be of limited signi-

ficance: it will have no effect

However, it marks a personal

victory for Mr Alick Buchanan-Smith, the Energy Minister,

who has repeatedly emphasised the importance of North Sea

Charities

+986 C10bn+

Estimated total income for all

charities, 1984 was £7.2 ho.

1.4 Ebililion

1.2

1.0

8.0

0.6

0.4

Top two hundred grant seeking charities

1981-82 82-83 83-84 84-85 85-88

back tax on covenanted giving and the VAT and Tax Reform said that the increase in donation would lead to a loss of the pay roll-giving scheme

for three years and sums

However, a company with profits of £100,000 or less can still pass to its shareholders a credit for the full amount of corporation tax it pays, because the corporation tax rate on such companies is cut to 27 per cent and this rate now extends to the chargeable gains of such

Overall the effective tax rate borne by a shareholder on a company's chargeable gains which are distributed is cut because the tax payable on such gains can now be imputed to the shareholder through the tax

star petrol. However, the indus-try was disappointed that the Chancellor had not given the fuel a stronger boost by cutting

result in higher demand

Unleaded petrol has not been a success since it was intro-duced to the UK more than a

year ago. It commands less than a tenth of 1 per cent of

Corporate taxes DAVID COHEN

However, under the old system, ACT could not be off-THE OIL industry has obtained about half of what it wanted from the Budget in terms of measures designed to boost flagging activity in the North Sea.

Oil companies welcomed the move to make 10 per cent of new development costs offset. set against a company's liability to pay tax on its capital gains. Hence, if a company's profits were insufficient to absorb its ACT, the excess ACT was wasted. From now on, surplus ACT can be used to extinguish a tax liability on capital gains. If the changes affecting capital gains are broadly neutral, the other corporate Osprey, T-Block and Emerald. its price by about 8p, to make it.

The second measure an comparable with the price of nounced — allowing spending two-star petrol with which it. changes are clearly designed to increase Govern-ment revenues by curbing Texaco said yesterday that in popular avoidance techniques spite of the cut's modest scale it The use of pre-1965 complanned to expand its network of stations offering lead-free petrol. It said it was cautiously optimistic that the move would panies to defer tax liabilities hit the headlines last year when it was exploited by

Storehouse, the company which resulted from the British Home Stores and Habitat Mothercare merger. A post-1965 group of companies would purchase a pre-1965 company and channel all the profits of the group into the older company. This technique was capable of deferring the due date for payment of tax by as much as 12 months.

Now, after a transitional period all companies will have to pay corporation tax for each financial year no later than nine months after the

year-end. Another category of com-panies which has had a taxplanning avenue closed are those which are partially exempt from value added tax. The normal consequence of being partially exempt is that

a company can only reclaim a proportion of the VAT which Companies sought to avoid this by putting the expendi-ture through a subsidiary which was fully chargeable to VAT. By skilful manipulation of the VAT rules on the grouping of companies, it was then possible for the full amount of the VAT to be

recovered. On the purely administra-tive level, the Finance Bill will create the basis for a new 'pay and file " procedure This will require them to pay corporation tax by a cer-tain date—whether or out

they have received an assess-ment—and to file tax accounts

An unpleasant surprise for the bankers

tions are among those hardest hit by a number of measures which are desibgued to close tax loopholes and save several hundred million pounds a year. Mr Lawson described them as "unintended or unjustified tax breaks" which cause overall tax rates to be higher than they need be.

مكنامنالئحل

Tidier

to tax

approach

on gains

THE BUDGET simplifies the structure of corporate taxa-tion in one significant respect.

This relates to the way in

their capital gains.
The pre-Budget position

its financial meaning

tion tax charge, this will mean an effective increase of

only 27 per cent (reduced in line with the standard rate)

can look forward to a saving

of 3 percentage points on

The integration of cor-perate capital gains with pro-

fits will produce a beneficial side-effect for both large and small companies. When a company pays a dividend to its shareholders it has to

account to the Inland Revenue for advance corpora-

stream corporation tax, hence

reducing its overall tax bill.

their future capital gains.

was that companies were charged at the capital gains tax rate plicable to individuals, currently 30 per cent. During the lengthy period when corporation tax hovered The most controversial measure is a proposed change in the tax treatment of foreign loans by UK banks which Mr companies establish residence in the UK rent tax subsidy to overseas US were able to claim lending, but which the banks say could inhibit this activity. around the 50 per cent mark, this meant that a company's capital gains were much more lightly taxed than its profits. However, as the Chancellor pointed out in his speech, the steep decline in corporation tax has whittled away this differential. Hence, the dis-At present banks can claim in los a general tax credit for any withholding made by foreign governments on interest they receive on foreign loans. In finant future, banks will only be able to offset this credit against tax on the profit of the relevant loan. tinction between profits and capital gains has lost most of Under the new system, companies' capital gains are to be treated in pricisely the same way as income and taxed at the same rate. For

companies paying the standard 35 per cent corpora-Mr Lawson claimed that the change would bring the IJK into line with other countries. It will be applied m stages, yielding some £20m in 1988-89, rising to £60m in 1990-91. 5 percentage points. On the other hand, smaller com-panies, which will now pay

Bankers said last night that the change will greatly reduce the value of tax relief on their foreign lending, and will force them to reassess the profit-ability of this activity.

The problem, essentially, is that relief will apply only to profit on a loan. This is likely to be of the order of 1 per cent after funding costs, while a typical rate of withholding is 10 per cent, most of which will now go unrelieved where pre-viously the credit could be applied to other profits.

tion tax (ACT). ACT paid can subsequently be offset against its liability to main-The precise impact of this change will depend on tech-nicalities which will now be thrashed out between the banks and the Revenue, including the way that profit on a loan is to be calculated. Mr Lawson's decision to introduce measure marks a victory for the Revenue which had to retreat from a previous attempt in 1982 in the face of great hostility

from banks. Although foreign lending has declined in importance for banks because of the growth of other types of financing, the impact of the measure on their readiness to lend to Third World countries could become an

Banks and financial instittu-tions will also be affected by Mr Lawson's measures to

deduct (see separate article). encouragement to deal out more severe tax treatment to banks following the record profits they have just reported for 1988.

Mr Lawson also confirmed the Government's intention to plug the so-called "Delaware Link." one of the more notorious cor-

Sophisticated multinational companies establishing dual residence in the UK and the US were able to claim tax relief in both countries for the same financing costs. This resulted in lost tax revenues which were estimated at £200m to £300m a

Mr Norman Lamont, the Financial Secretary to the Treasury, announced in Decem-

Business tax avoidance DAVID LASCELLES

ber that action on the link would be taken. Yesterday's proposals are based on consultations which have taken place since then.

Although banks and businesses have lobbled hard against reform—the banks argued, for example, that it encouraged US companies to borrow money in London—the abolition of the link was never seriously in doubt, particularly now that the US has taken steps to plug the hole at its end. Genuine trading companies

will be exempted from the pro-posed change in the tax law, which will take effect from April 1 and is expected to yield £125m in 1988-89, according to the Chancellor.

Mr Lawson also introduced a number of smaller measures to plug gaps in the tax struc-ture. These include legislation to ensure that a UK resident partner of a foreign partnership pays all the tax he should on his share of the partnership's

The recommendations of the Keith Committee on the enforcement of the Revenue's powers are also to be adopted. These will tighten up collection of PAYE and improve the operation of the deduction cheme for sub-contractors in the construction industry.

These changes will take effect which businesses which are some £45m in 1988-89.

Just a little act of good housekeeping

MR LAWSON'S decision to the world's second-largest repeal the Exchange Control creditor-nation after Japan; its piece of good housekeeping, because the Bank of England closed its exchange-control operations with a loss of 700 jobs in 1979. According to Treasury officials it is merely intended to remove any uncertainty about controls bnieg when revenues started to run

reintroduced. The uncertainty can scarcely acknowledged with a teasing reference to a recent speech in New York by Mr Roy Hatters-ley, the shadow Chancellor. In this Labour's Deputy Leader had declared his party had no intention to reintroduce statutory exchange controls. The act was introduced at the

start of the Second World War. the financial markets. It gave discretion to the Bank These practical and relied heavily on co-operation by financial institutions and companies, the currency transtoins of which the Bank was system. obliged to monitor.

Howe, the then Chancellor, pension funds and insurance numerous developed countries companies if they fall to rehave followed Britain's example in abolishing restrictions on above a given percentage of capital mobility.

As a result, capital movements

now exercise a more powerful Labour is the support such a influence on exchange rates scheme would give to sterling, that the underlying trade in which

Act is little more than a minor overseas assets, the Chancellor said vesterday, amount to about £100bn. This accumulation of direct

and portfolio investments accompanied the build up of North Sea oil revenue and was intended to provide a cushion down. Few in the City believe the

have amounted to much, as the Chancellor himself implicitly degree of co-operation as in the tried to return to statutory exchange controls in peacetime
— not least because of the huge influx of foreign banks and securities houses to the City and because of the collapse of the City's club ethic in the aftermath of deregulation in

These practical difficulties explain why Labour is now proposing to put a brake on capital outflows by changing the tax Labour's plans include re-

Since its suspension in moval of tax privileges for in-October 1979, by Sir Geoffrey vestment institutions such as Part of the attraction for

goods and services. Further, when Labour governments take since 1979 Britain has become office.

research Certain vehicles for use by only a small amount. Fears were also expressed at the loss in revenue arising from the loss i Tightrope walker wins applause in City and boos from unions THE CITY and industry reacted enthusiastically to the Budget, arguing that it was responsibly cautious and would help growth without triggering high inflation. But the trade

high inflation. But the trade much more competitive, this is unious regarded it as a political the chance for us to win back ploy aimed at cultivating our own home market as well

General Election votes. eneral Election votes.

Mr David Nickson, president Nickson said.

Mr David Nickson, president The Association of British butions at the lower end in personal tax cuts.

Nonural Internation of Rightsh The Association of British butions at the lower end in personal tax cuts. of the Confederation of Birtish Industry, said the Chancellor's measures would reinforce business success. "Lower Government borrowing means lower ment borrowing means lower interest rates and this is what interest rates and this is what the CEI sented." he said. ment borrowing this is what interest rates and this is what interest rates of inte affected borrowing costs and the

as going for more exports," Mr

RICHARD EVANS

order to stimulate jobs. This had been a lost opportunity. was equally favourable, but tightrope walking skills to the there was an element of the full with a Budget that wooed

Nomura International,

not a giveaway Budget," said

the ordinary families of the ingly attractive.

The reaction of the Trades Nalgo, said the Chancellor had

confused the Budget box with the ballot box and was buying votes, not jobs. "He has squan-

described it as "a sound, almost excessively non-election Budget, excellent for taxpayers and small firms," which should stimulate growth and increase employment. The alcohol and tobacco

industries greeted the decision dered this year's windfall tax not to increase excise duties with relief and motor organisa-Mr Rodney Bickerstaffe, gentions welcomed the move to eral secretary of the National reduce the tax on unleaded

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Transfer Car the free trees ाहार र ३१ 📆 Harry Lange **Options to** (TE > > > ... 開かかり 2012年 🌘 swap at mice in takeover 編/で作り

> time ALTHOUGH not mentioned in his speech, Mr Lawson yesterday announced one important change affecting employee share schemes. This will make it pospany which is taken over to inge their share options for options in the company acquiring them.

There is at present no stantory provision allowing them to do this. The change affects two types of Inland Revenueapproved option schemes. The first is the saving-related option scheme introduced under the 1980 Finance Act. These options have to be exercised either five or seven years after they are granted, depending on what the employee elects at the time the option is granted.

The second is the scheme intro-duced by the 1984 Finance Act. These usually have to be exercised between three and

Employee share schemes MICHAEL SKAPINKER

10 years after they are granted and no less then three years after the exercise of a previous option under that scheme.

Until now, employees holding options in a company subject to a takeover have either had to exercise the options at the time of the takeover, thereby risking income tax liability, or, in certain circumstances, they have simply lost the options. The Chancellor has proposed

the Chancellor has proposed that holders of options in a target company would be able to the chance of the company would be able to the chance of the chance target company would be able to obtain options in the acquiring company on con-dition that the value of the options being surrendered equal the value of those being acquired. To qualify, the replacement options will also have to continue to be governed by the rules of the target company's existing

The move was welcomed by Mr Laurie Brennan, chief executive a New Bridge Street Consultants, which advises companies on employee share schemes. The changes would bring "immense relief to a great number of people," he said. "We pointed out some years ago that the last thing a bidder wants is to turn off its new employees."

The Chancellor also announced that legislation governing older schemes which have not been approved by the Inland Revenue would be reviewed. The review was welcomed by consultants, who said legislation to preremuneration vent income tax avoidance under earlier schemes had impossibly complihecome

and strength of purpose, then ther strength for equities, this was it." The main surprise for the currency," said Nomura. was the concentration on for the currency, 'Said Nomura, nation will pay a heavy price measures likely to reduce in Overseas investors should, for such blatant opportunism."

terest rates rather than on therefore, find the UK increas. Mr John Daly, general secre-

the had been a lost opportunity.

Japanese finance house, said the Union Congress and of unions in From the City, the reaction Chancellor had displayed his general was much more hostile.

Page equally favourable, but tightrope walking skills to the This is a throwaway Budget. Wednesday March 18 1987

A bludgeon used gently

Budget; but he has been fiscally responsible. By deciding to use more than half the buoyancy of the revenue to cut borrowing rather than taxes, he has delighted the financial markets—indeed, it may be quite difficult to contain the strength of sterling in the immediate future, since it rose sharply last night on the expectation of lower interest rates. Ordinary taxpayers, smokers, drinkers and racegoers will no doubt be appreciative of what has and and racegoers with the date of appreciative of what has and what has not been done. The poor and unemployed will not.

The tone of the Chancellor's appreciations of the Chancellor's appreciations.

speech was rather complacent, but he can readily be forgiven for that. The growth of the economy is accelerating a little, and the growth of manufacturing and exports are accelerating guite sharply, as it enters its quite sharply, as it enters its seventh year of uninterrupted progress, and there does not seem to be any domestic reason to doubt that this progress can

Biggest relief

Indeed, the official projections suggest that whoever is Chancellor next year will be in the same happy position, with a comfortable sum to spend, save or remit; and this projection is based on the cautious assumption that the oil price will average \$15 a barrel. The forecast current account deficit should present no financing should present no financing problems, because the UK economy, with its offer of steady growth, a sustained catch-up in productivity and large overseas investment assets is at the moment a favourite with international

This popularity could prove quite durable, for the three major developed economies are all at the moment facing quite intractable problems, as the Chancellor pointed out. This means that perhaps the biggest relief contained in yesterday's Budget may well prove to be the one which the Chancellor did not announce—a cut in interest rates. It is now clear that this will amount to a full point initially, and it could well go further before long.

In the short term, though, this faces Mr Lawson with something of a dilemma. The most recent retail figures confirm that the consumer boom, partly credit-supported, has lost little of its force yet, and for little of its force yet, and for limit for national insurance conlimit for national insurance conpoint initially, and it could purely domestic reasons he may limit for national insurance conbe cautious in cutti interest rates as he has been in cutting taxes. However, he must almost entirely from business also wish to keep sterling stable taxes; the Budget in fact repreas a support for business confi-dence; investment plans hinge the total burden of non-oil far more on the medium-term taxes on the economy. So the

for Japan

worst Japanese performance in

his four and a half years of office, mostly because of oppo-sition to his proposed new sales

The twin figures neatly illus-

routinely down by a third or more compared with 1985

(albeit after two fabulously successful years) and exports are running at 15-20 per cent below last year's levels (at least when counted in yen).

On the other hand, it is much

less clear that the pain is now so great as to cause those who matter in Japan, in industry

and government especially, to contemplate abandoning all the tried and trusted methods that

have served the country so well

Different perception

The twin figures neatly illustrate the Japanese dichotomy. On the one hand, there is no doubt that the appreciation of the yen is hurting an economy that has thrived on exports. Unemployment is at a post-war high of 3 per cent (greater if Western measurements were applied), corporate profits are routinely down by a third or

A taxing time

TWO JAPANESE numbers have caught the eye this week. First, the nation's gross national product, once the envy of the western world, expanded last year by a mere 2.5 per cent in quently promised to supply, and termes not their challent have the parts meet.

real terms; not that shabby by most recently at the Paris meet international standards but the ing of finance ministers.

The perception in Tokyo, by 12 years. Second, the popularity of Mr Yasuhiro Nakasone, the distinctive Prime Minister whose party was returned by a landslide only last summer, has dropped to its lowest level in the last summer and the last summer and the last summer are last summer

for so long. These include, in austerity, however, will remain this decade, a commitment to intact.

fiscal austerity and, for much Some stimulus could be pro-longer, a belief that thrift is a vided if the sales tax were

national virtue. Mr Nakasone's delayed for a year, while other problem not a new one for him, parts of the package go lies in his willingness to go through. But that may be the against the grain.

Outsiders tend to feel that his a country whose preference is tax reform package is cautious. for incremental change. If the The new sales tax and the re- US economy continues to hold

moval of the tax exemption on up, in the end the magnitude small savings are basically deof what Japan needs to do may signed to finance the proposed lessen.

MR NIGEL LAWSON has been far from subtle in what is quite evidently an electioneering Budget; but he has been fiscally provide solid assurance for proposible. Production to the company of the European Monetary System. This would not only provide assurance for assurance for the company of the European Monetary System. restore the broad measure of monetary conditions which is needed to guide day-to-day monetary policy. By simply abandoning Sterling M3, without putting anything in its place, Mr Lawson has taken all the tenties! rigger out of his the tactical rigour out of his ever-changing medium-term financial strategy.

The other regrettable omissions in this Budget were the lack of any measures aimed directly to religer the transfer.

directly to relieve unemployment, or to assist the poor. The Opposition will undoubtedly make much of this; a cut in national insurance charges, to reduce the cost of employment, a rationalisation of the scale of employee's contributions to reduce one more poverty trap, and an increase in family allow ances all figure in their pro-posals, and some recent polls suggest that many voters prefer the akternatives.

The failure to index excise duties also seems a little insensitive. This will win a catchpenny headline or so, but in a poor cause. Perhaps the real reason was to suppress a small bulge in the RPI in May and June; by implication, one of the figures Mr Lawson failed to omit was the date of the general

However, one omission was

Least exciting

extremely welcome; Mr Lawson has not raised the ceiling for mortgage tax relief, despite some pressure from his backbenches and possibly from more august lobbyists. The smaller positive measures all seem wellconceived: greater freedom for private pension provision, some reinforcement of the incentives for profit-sharing, measures which will reduce both the financial and form-filling burden of VAT on small businesses, and carefully limited incentives for North Sea cilfield develop-ment. Those who find some loopholes blocked, have to pay more for their business cars, should be able to pay up with a smile. Perhaps the least exciting feature of the Budget, though, is its centrepiece, Everyone ex-

prospect for competitiveness cut is not only unexciting, but than they do on the short-term outlook for interest rates.

It is a great pity, then, that the Chancellor was unable to make even a passing reference more finely aimed measures.

The perception in Tokyo, by

of thrift that is so much part

of thrift that is so much part of Japanese public and private policy. Combine this philosophical objection with the dislike of powerful vested business interests for any form of consumption levy and it is apparent that Mr Nakasone has bitten off as much, and maybe more, than he can chew.

If it goes through, the Naka sone camp argues, then other structural changes may follow, though probably after a decent interval. But in the more immediate term the price is likely to be an avoidance of any form of risk on the government spending side. The

ment spending side. The government is still officially

pledged to end deficit financing by 1990—how this is to be achieved remains a mystery—and will thus probably confine

itself to conventional book

juggling devices such as front

loading public spending, much of which is drawn from the so-called " second budget." Fiscal

Some stimulus could be pro-

nainstream taxation at all. nainstream taxation at all.
Or if he had done, he should have played around with allowances, thresholds and clawbacks, or increased next month's new benefit scales selectively, to help those at the lower end.

But given the enormous pressures on him from his own party, his next-door neighbour at Number 10, and the prevailing climate of crude fiscal srith-

TDEALLY, the Chancellor

would not have reduced

ing climate of crude fiscal arithmetic, he has done much better than one had a reasonable right

to axpect.

His projected Public Sector Requirement for 1987-88 is, at £4bn, at the lowest end of financial market expectations.

Moreover, his projection is based on a deliberately cautious estimate of a \$15 per barrel oil price, some \$3 below current levels. Public spending may of course be larger than pro-

of course be larger than projected. But so too is likely to be revenue.

The way is now open for a series of interest rate cuts, which will be necessary if sterling is to remain in the range which he indicated in the Paris meeting of the Group of Five and which is reaffirmed sotto roce in the Budget documents. The assumption in the Red Book that the tradeweighted sterling index will not change is rather firmer than not change is rather firmer than usual and comes after a reference to recent under-takings at international meet-

ings.

The mian test for the Chancellor will be how he handles these interest rate reductions and the credit demand they are likely to stimulate without stoking up inflationary expecta-

But economic policy is not all or mainly macro-economics. Faithful readers will remember that I have always said that I would apply two main tests to the Budget. First, I would in the Budget. First, I would judge it by the Chancellor's resistance to any political pressures from the Prime Minister or elsewhere to raise the threshold on mortgage interest relief above its present £30,000 and thus add to the distractions in the bayesing distortions in the housing market. He managed without doing anything at all to the mortgage ceiling.

Secondly, I said that I would Secondly, I said that I would judge the Budget by what the Chancellor did on Profit-Related Pay which is a far more important subject than tax reform. In fact he doubled the scale of incentives in last autumn's Green Paper; and although someone who would like to try full Martin Waitzman experia full Martin Weitzman experi-ment would want still more, it would be churlish to grumble. Having followed this negative and positive prescription on two key issues, and not done anything wildly extravagent on the macro-economic side, I am bound to say that in the circumstances it is a good Budget -far more so than an exciting set of measures which would

Economic assessment

Better than the City expected

By Samuel Brittan

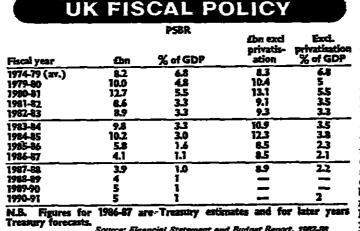
have been cheered more loudly by his own Backbenchers, but would have had to be taken back in the autumn like the last spring Budget of R.A. Butler in 1955. My main quarrel would be not with the Budget but with the speech. The Chancellor might have made far more of the scale

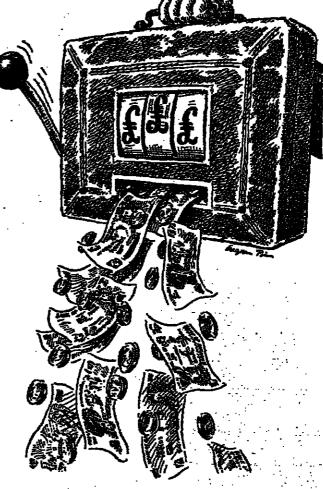
of relief now available to the employee on Profit Related Pay. A married man on average earnings might start off with only \$80 per annum of relief, if

But the Chancellor did not enlarge either on the tax benefits from adopting PRP or on the economic case for it, which he will have to do to make an impression on studgy business and trade union leaders who still do not have the faintest idea of what is involved. Indeed, the whole forward

come to over £400.

looking section of the Budget speech was concerned mainly with minor Inland Revenue only £80 per annum of relief, if the profit-related element began adjustments which could have at 5 per cent of the total pay gone into press notices. One packet. But if it eventually rose to 20 per cent, which is the underlying idea, the tax relief would be nearly £320 equivalent to another 4p off the basic rate of income tax. For someone on higher earnings the relief would terms of neglect, Ministers were





THE BUDGET: Analysis

Maybe Nigel Lawson considers that the House of Commons in pre-election mood is not the place to explain elementary economics, which is regarded as provocative on the Opposition benches and boring making next week at a conference celebrating the 25th anniversary of the National Economic Development Council. These matters are just as important as the financial issues on which City comment concentrates; and if these are not trates; and if these are not resolved, there will be no financial markets.

however be interested in the strides that have been made in reducing public sector borrowing which are shown in the table. The headline story is that lor had to forgo the usual table. The headline story is that
the Treasury goal of reducing
the PSBR to 1 per cent of gross
domestic product has been
achieved. With this painful process behind us there would then
be room for further fiscal adjustments (ie. tax cuts) in the following three financial years on
receptly the scale of the present be room for further fiscal adjustments (ie. tax cuts) in the following three financial years on roughly the scale of the present Budget. If this room for the first center important GDP deflator is expected to rise to premium. The necessity is not premium. The necessity is not premium. The necessity is not premium.

at last taking the labour market manocuvre were taken up by seriously.

Maybe Nigel Lawson contains fiscal arithmetic would not change and the puritanical in-stincts against "money in the pocket" would be satisfied.

The underlying story slightly, but not dramatically, different; it is shown on the or monetarist by all too many right-hand side of the table, on his own side. But there will excluding privatisation, the be several opportunities to PSER has fallen from nearly 7 repair these emissions, for per cent of GDP to around 34 instance, in the speech he is percent in the early 1980s. It is now hovering just above 2 per cent; and is expected to fall extremely gradually to that per-centage by the end of the decade. This will not be enough to satisfy the "debtists," who believe that a safe proportion would be I per cent. But it is esolved, there will be no for all practical purposes low enough, except in years of inflationary pressure.

> indexation of the excise duties on drink, tobacco and petrol to keep the forecast rise in the Retail Price Index this year to 4 per cent. The mor

gradually towards 3 per cent by 1990. But to go faster without interrupting the fall in unemployment would require either radical intervention in the labour market or achesion to the European Monetary System. My own view is that the Treasury forecasts understate real growth, partly because they underplay the credit boom and partly because the Treasury's forecasting equations are much too pesimistic about the effects of a devaluation, which is expected to last, on exports and

or a devaluation, which is expected to last, on exports and imports. The £24bn current payments deficit predicted for this year is mythical because it ignores the much larger balanc-ing item; and even on its own terms it understates the likely

growth of exports.

But this very underplaying of the bullish forces carries its own dangers. For rapid demand growth can all too easily spillown dangers for warry provided that it simply compensates for worry provided that it simply compensates for

that it simply compensates for depressed growth at the begin-ming of 1986 and proves a tem-porary peak as the Treasury projections suggest. But can we.

really be sure?
It would be wrong-headed in the extreme to throw away all the economic gains of last year by allowing sterling to rise further. But fiscal restraints to offset lower interest rates are not politically feasible new and may not be very feasible after the election.

.

the election.

The one practical method of preventing low interest rates from being inflationary in which case they would also be very temporary—is to go beyond the present vague expression of intent about sterling and to lock the pound in with the D-Mark. The EMS is merely a convenient way of doing this. Membership would also set up the right policy signals so that there would be no need for nervous fine-tuning if there were temporary evershoots of were temporary overshoots of either nominal or real GDP growth—from which we could even benefit in terms of mopping up unemployment.

Thus the case for EMS mem-bership is no longer something with which to tease the Prime Minister, but an urgent practi-cal need if only as an insurance premium. The necessity is now so great that I do not think any individual, however opinion-

A sprint start for the custom-made pension

By Eric Short

THERE IS LITTLE doubt that in a tax-free cash sum, whereas free cash that can be taken from gages qualifying for tax relief individual pensions are in the the self-employed, under a more centre of the Chancellor's per-complicated formula, can onal savings strategy. The reforms in pension tax in cash.

have the aim of strengthening the previous moves by the Government to liberalise the provision by individuals of their own pension arrange-

But there is also an unex-pected attack on the use of pension arrangements by con-trolling directors and other very highly paid executives as part of tax avoidance schemes.
In liberalising individual pensions, the Chancellor has announced two new moves. First he is bringing forward

personal pensions by three months to next January instead of April (at least for employees not in a company pension scheme—others will have to wait for the original date).

Second he is freezing AVC (additional voluntary contribution) arrangements for those employees in a company sheeme. Under the 1986 Social Security Act, employees will be able to leave a company pension scheme or the State Earnings-Related Pension Scheme Related Pension Scheme (Serps) and make their own

Now employees will be able to leave Serps from January 4 1988 and, if desired, backdate the minimum required contri-bution for the whole of the tax year 1987-88, including getting the benefit of the extra 2 per cent contribution incentive for

However, employees in a company scheme will still have to wait for the original start date of April 6 1988 before they can join a personal pension. Moreover, the incentive will be paid for only five years. The tax rules for personal

pensions are almost the same as fore retirement annuities for the self-employed, as set out in last November's consultative document, but there are two notable exceptions. Employees are to be permitted to have more than one personal pension contract at usually get a higher proportion pesion contracts.

may be welcomed by employees, but will be received with mixed feelings by the institutions providing personal pensions. The Government has still not

published the full regulations under which personal pensions will operate. In particular, the method of marketing and the expenses structure have still to be defined. Until these are known institutions cannot de-



sign pensions in any detail and set up their tailor-made admin-istration systems.

Employees in company pension schemes have always been able to boost the benefits from anie to boost the benents from the main fund by making AVCs. However, there have been severe restrictions: only the trustees have been able to set up AVC arrangements and em-ployees have had to commit themselves for at least five From October this year, em-

ployees will be able to make their own AVC arrangements with an institution of their choice, paying contributions directly on a net basic tax basis (similar to the Miras system for mortgage payments). In addi-tion, they will be able to make contributions on a yearly basis. Employers will still be subject to an overall contribution payment of 15 per cent of earnings (including payments to the main scheme) and only one scheme per year will be allowed. However, it is not all a matter

of concessions from the Chancelor this year.
On the restrictive tack, he any time. At retirement they On the restrictive tack, he will be allowed to take 25 per has put an overall limit of cent of the value of their policy £150,000 on the amount of tax-

a company pension scheme or an individual's one or more

n cash. However, this will only apply
This advance of the start date to future private plans taken out, or to employees joining their company scheme as from yesterday. Existing entitlements will be unaffected.

Under a company scheme the restriction will affect only those earning

At present, employees in company schemes can adjust the lump sum benefits so as to get out the maximum permissible cash sum, without having to adjust the pension—known as accelerated accrual benefits. This will no longer apply, and higher cash sums must be accompanied by higher

To this end, the Chancellor will not allow AVC benefits to be comuted for cash sums, a restriction which amounts to another dampener on pension

More generally, the £150,000 cash-limit will have implications cast-limit will have implications for the development of more ambitious pension mortgage schemes, particularly unless this limit is revalued in line with earnings growth. In a roughly parallel situation, successive Chancellors have not upgraded the limit on the size of mont-

Indeed, Mr Lawson suggested that there have been abuses of the generous tax treatment of pensions by some highly paid people and this is to be addressed not only by the limit on cash commutation, but a general tightening up of the rules governing the level of

Under a company pension scheme, benefits are usually based on earnings at or near retirement. This has led to some highly paid executives boosting earnings artificially in the 12 months preceding retirement by a variety of devices, one common example being the manipulation of the maturity of share option schemes.

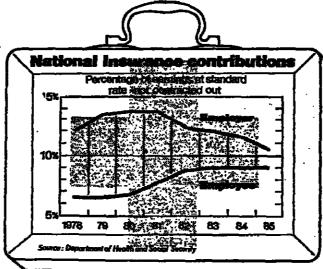
Up to now, the Inland Revenue has allowed bonus pay-

ments and other supplementary income above basic salary to be taken into account in calculating earnings for pension purposes. So the Chancellor is propos-• Gains from share options will

no longer be included in final remuneration calculations. Employees earning £100,000 or more will have their remuneration averaged from the best three-year period out of the final 10 years before retire ment.

• Controlling directors will also

be subject to these restrictions.



Step on road to recovery

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

sector.

Sir Trevor Holdsworth, chairman of GRN, the engineer-ing and motor components group, spoke for many other in-dustrialists when he said that the Government had selected the right targets in aiming to push down interest rates, while keeping inflation under control and maintaining sterling at a competitive level.

"The cost of raising money will be cheaper, and that will be good for investment and for Britain. I think this is another step in the effort of getting us step in the effort of getting us back upstream," he said.

Mr David Nickson, the CBI president, also emphasised interest rates, saying that the way was now clear for single-figure rates. Each percentage point off rates saved British business £250m a year, he said. Where there was disappointment with the Chancellor's speech it mainly centred on his

speech it mainly centred on his failure to take specific action to improve the rate of investment and spending on research and development.
These are both areas in which

recent figures suggest that Britain is lagging behind its competitors, notably in the electronics industry.

The Electronic Engineering Association, for example, was jobbying hard this year for measures to give larger allow-ances against pre-tax profits for audited investment in R & D. "The Government has totally ignored this problem," said-Mr

Peter Sachs, director of the EEA, "but meanwhile our non-oil trade balance keeps declin-ing. We believe that there should be some help for innovation and some form of indus-

as well as the lack of moves to measures on VAT and inherit- the desired effect.

TRUE TO expectations, the ance taxes would be useful to Chancellor did not produce a small business, an area of signi-Budget which promised great ficant growth in the economy. things for industry. But his In addition, said Mr Peter Benton, director-general of the rorced by measures aimed BIM, the Budget's help for broadly at encouraging investment and exports, seemed to tax concessions on parallel meet the approval of a large pensions, lower tax managers through the tax concessions on parallel chunk of the UK concessions, lower tax managers through the tax concessions on parallel chunk of the UK concessions. pensions, lower tax rates and profit-related pay would be extremely helpful.

There was widespread agreement in industry and the City that the Chancellor's proposals on corporation tax, which will tidy up payment periods and claw back some tax in a one-time gain, would not have a significant impact on corporate treasuries. Alongside the re-



adjustments in advanced corporation tax the impact would be neutral for many companies analysts suggested.

Cash-flow is running strongly
in British industry at present
and profits are expected to be

up by about 15 per cent this year. Most companies are also year. Most companies are also relatively undergeared.—Hoare Govett, the broking firm for example, says industrial companies have an average debtequity ratio of only 12 per cent — meaning that interest payments no longer pose questions of survival.—Hence the main issue companies.

Hence the main issue, say in-dustrialists, is not so much the corporate balance sheet as the ability of British industry to expand and compete overseas. Interest rates are important in this, they add, because they set the scene for investment and have such a direct impact on sterling and thus on exports. tion and some form of mains-trial policy."

The British Institute of Management was also critical of the Chancellor's failure to encourage the technology sector and that a slight reduc-tion would be useful. Some tion would be useful. Some. step up public spending in questioned whether a 1 per cen-infrastructure development. But tage point cut in interest rates it stressed that the Government would be sufficient to achieve

هكزامن الأحمل

CHANCELLOR Lawson had the best of both worlds: he has given something to almost everyone, yet at the same time can hardly be accused of recklesaness. His 1987 Budget will be very difficult for the opposition parties to attack, or for the markets to dislike.

markets to dislike. Given the amount of revenue available, the key decision was clearly how much to give back in income tax and how far to cut the borrowing requirement. In the event, he compromised: 2p off the standard rate and borrowing down to £4bn next

A cut in interest rates will presumably come today and, it not, very shortly afterwards. There seems no immediate reason to think that sterling will be unable to stand the

There was also an implicit promise that if the Government is allowed to continue on its present course and there are no international setbacks, there will be further tax cuts next time—after the general election. The Chancellor stressed that the target of a basic rate of 25p is still very much in mind.

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By holding a further cut in reserve, he has helped shield himself from the charge that he was too blatantly electioneering. More importantly, he chose not to take any risk of an adverse reaction from the markets, "£ in trouble after give-away Lawson budget" must be just the sort of headline he wished to avoid.

The unusually short Budget speech—a little under an hour —was in many ways an account of the Conservatives' stewardship since they returned to power in 1979. More particu-larly, it traced the record since the economy started to grow again after Sir Geoffrey Howe's Budget of 1981, which even many Tories said at the time was unduly deflationary.

It was also a bit of a personal odyssey for the Chancellor, It was he who first outlined the medium-term financial strategy as Financial Secretary to the Treasury at the beginning and insisted on the long-term aim of bringing down the public sector borrowing requirement as a percentage of gross domestic product, even though he was prepared to allow fluctuations.

His experience as Energy
Secretary must have been
invaluable wren, as Chancellor,
he was helping the Government preside first over the yearlong miners' strike and then
over last year's sudden collapse
in the oil price. It was the
Chancellor who, in his previous
incornation, had sought to build
up coal stocks in such a way as
to make the miners' strike

Political assessment

Chancellor with no need to rush

By Malcolm Rutherford



abortive and who resisted pressure from Saudi Arabia and the rest of Opec to cut North Sea oil production to try to raise prices again. With the support of Mr Peter Walker, the present Energy Secretary, he won: the price rose without North Sea output being deliber-ately reduced.

If that had not happened, it is doubtful whether yesterday's budget would have been any-thing like so confident.

The most triumphant nots in the Chancellor's speech, how-ever, was reserved for the pas-sage on the reduction of the PSER. Mr Lawson broke of from his catalogue of figures and said: "Economic arguments and said: - Economic arguments are seldom concluded one way or another. This is chiefly because it is unusual for economic policies to be held in place long enough to provide sufficient evidence. But the 1960s have been different—and,

as a result, one critically im-portant argument has now been concluded, finally and decisively. "Throughout the period of office our critics have con-sistently maintained not only these a fixed critically avoid that a fiscal stimulus would produce real economic growth, but that without an expansion-ary fiscal policy sustained growth was impossible. They

were wrong and they have been proved wrong."

servatives abolished exchange controls in 1979, they kept the Act in reserve—just in case. Now they are abolishing it alto-gether, while noting that other European countries are beginning to follow the same path of liberalisation.
There were let-outs, of course.

There were let-outs, of course. He warned, for instance, that there are still serious imbalances in the US, West German and Japanese economies which could lead to further turbulence on the exchange markets. But even here there seemed to be a note of increasing confidence in international co-operation. Full British membership of the European Monetary System was not mentioned because the Prime Minister has ruled it out. For the rest, the belief in the ability of the Group of Five to promote of the Group of Five to promote

stability appears to be growing. At home the cumulative effect At home the cumulative effect of the Government's economic policies over time was brought out in the new figure for individual share ownership. This has risen to 8½m or one-fifth of the adult population—up threefold since 1979. When this is coupled with wider home ownership, something of a sea change can be seen to have taken place in the last few years. the last few years.

Much of the rest of the Budget was a tidying up exer-cise: simplification of VAT and inheritance tax and refinements of the Petroleum Revenue Tax Again over time, though, the effect is cumulative. Taking Mr Lawson's four budgets together, the tax system has been simplified even if there is still some way to go.

The most obvious piece of electioneering was the decision not to raise the duties on alcohol and tobacco. It means that they will almost certainly go up rather sharply next time, but this year the Chancellor clearly wants as many triends

as he can find.
Equally, the Government is not going to lose any votes by raising the tax allowance for the blind and for those aged 80 and over. It looks generous, yet does not cost very much. So when will the election be? It was as though he were pro-claiming that he had taken on the bulk of the economic estab-lishment, including the four ex-economic advisers to the Government who wrote to the Financial Times on Monday demanding a change of course demanding a change of course, and beaten them three sets to hurry and to wait instead until late September or early other personal pleasure: the decision to repeal the Exchange Control Act in the course of mised pieces in June, but the dignified course would be not to hurry and to wait instead until late September or early with this Budget, which was one of gradually putting the promised pieces in place. There

Finance Bill. When the Con | THOSE WHO believed that last vear's dramatic cuts in US income tax rates would encourage the UK Government to embark on a similar, if more modest, programme, must have been as disappointed by the limited scope of Mr Lawson's fourth Budget yesterday as the tax reform lobby were by his

second.

Whereas other countries such as Japan, West Germany and France have decided to cut their higher rates of tax following the US initiative, Mr Lawson has resisted the pressures to do so. Despite the lack of political popularity for cuts in higher rate tax among the electorate at large, pressure for cuts had built up from the business lobbies, the right-wing of the Conservative Party and from the increasingly vocal threats to emigrate from managers and professionally qualified workers.

Mr Lawson did not even re-

Mr Lawson did not even renew an earlier hint that after the election, when the issue will the election, when the issue will be less sensitive, the top rates of tax are likely to be cut. In fact the non-indexation of the income thresholds at the 50, 55 and 60 per cent rates will increase the proportion of those facing that top marginal rates of tax over the next year.

Mr Lawson has also resisted pressures in the opposite direction, to limit mortgage interest relief to the basic rate of tax. Higher rate taxpayers will therefore continue to be able to offset their mortgage interest payments against their top marginal tax rates.

The cut in the basic rate of tax to 27 per cent was the minimum that was expected. And Mr Lawson appears to have abandoned the initiative he began in 1985 to alleviate the poverty trap by raising personal tax allowances and the lower earnings limit for National Insurance Contributions (NICs) by more than the inflation rate.

Impact on individuals

Disappointing for the radical lobby

By Clive Wolman



the starting rate for inheritance this year have taken away the tax from £71,000 to £90,000 (instead of to £74,000 which would have been in line with

rationalising the NICs system, neans that the 27 per cent rate is misleading. Out of each additional fil paid out by an employer over the next year, only about 54p will end up in the hands of an employee earning up to £285 per week. The rest goes in tax and NICs.

In other, more narrowly targeted areas of personal tax Mr Lawson's reforms last year out, in particular to the rich and the elderly. The increase in replaced by inheritance tax) and

teeth of a gifts and bequests tax just as it was starting to bite.

tax allowances and the lower earnings limit for National Insurance Contributions (NICs) by more than the inflation rate.

As 96 per cent of income taxpayers pay only at the basic rate, the new 27 per cent rate may appear to be in line with the top US rate for federal tax of 28 per cent. But Mr Lawson's failure to follow through another 1985 initiative, rationalising the NICs system, means that the 27 per cent rate is misleading. Out of each additional £1 paid out by an inflation will cut by a third the inflation) will cut by a third the inflation of people—or at least the inflation in response to particular as a result of any coherent reformist strategy. The introduction of a new and more generous category of age generous category of age allowances for those aged 80 and above may have been a response to the well-publicised problems of hyperthermia be so problems of the coherent response to particular to political pressures rathe a limited effect.

The Government estimates that about 400,000 people will benefit from this measure, but only 25,000 or less will be taken out of tax altogether as a result of the change. There are more than L5m people aged over 80 in the UK of whom about 70 per cent are women. A high proportion of the over-

80s rely on the social security system and do not pay any tax. At the same time, the wealthy elderly will not benefit because of the way in which the age allowance is clawed back at higher income levels.

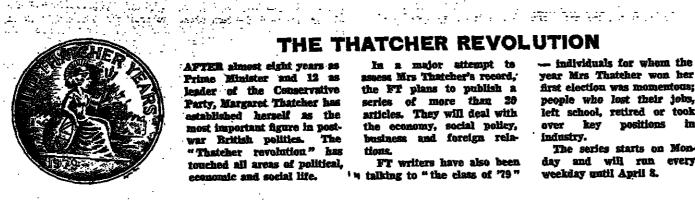
Some of the changes in pen-sion tax provisions, in particu-lar the introduction of greater flexibility in making additional flexibility in making additional voluntary contributions (AVCs) have the virtue of fitting in with two of the Government's objectives which have been promoted with increasing zeal since 1983. These are the encouragement of more direct forms of share ownership and of more personalised forms of pension provision-

The AVC provision will allow the individual to build up in a tax shelter a portfolio of shares or unit trusts on his own initiative and independently of his employers' occupational pen-sion plan. This may prove to be a much more attractive alternative to many employees in their late 40s, 50s and early 60s than the option, to be granted from next year, of leaving the occupational pension ing the occupational pension scheme and setting up a personal pension plan. Employers will still be able to treat less generously those employees who opt for complete independence. And the risks of a greatly attenuated pension if the investments in a personal pension plan fail to perform well are substantial.

The AVC alternative how ever can be set up alongside an occupational pension scheme. The ultimate benefits will then supplement the retirement income provided by the occupational scheme. The Revenue is to retain its restrictions on the contractions of the maximum amount of benefits that can be taken from a pension plan by an individual which covers both an occupa-tional scheme and an AVC plan. This could mean that some of the benefits of the investments in an AVC plan may just go to waste. However, there are assets within an AVC plan for example by buying an indexlinked pension annuity or writing on the joint lives of the pension contributor and his or pension contributor and his or

These restrictions however will make the process of investing in an AVC plan more complex than just going into a bank and buying shares. It will therefore enhance the importance of special address which sound financial advice which commission-driven insurance and pensions salesmen cannot always be relied on to provide.

Today's letters are on Page 18



THE THATCHER REVOLUTION

AFTER almost eight years as Prime Minister and 12 as leader of the Conservative Party, Margaret Thatcher has established herself as the most important figure in postwar British politics. The "Thatcher revolution" has touched all areas of political, conomic and social life.

series of more

In a major attempt to - individuals for whom the assess Mrs Thatcher's record, year Mrs Thatcher won her people who lost their jobs, positions in

than 20 left school, retired or took articles. They will deal with the economy, social policy, business and foreign rela-The series starts on Monday and will run every RT writers have also been ' a talking to "the class of "79" weekday until April 8.

El-Sayed faces

bankruptcy Personal bankruptcy is now looming for Rafaat El-Sayed. less than 18 months ago Swedish television's "Swede of the year," and possibly the country's richest individual.

while Ferments, the antibiotics company that the Egyptian-born entrepreneur turned into one of the hottest stocks in Europe, has plunged from one crisis to another. El-Sayed's own fortune has evaporated, leaving his creditors baying for the repayment of around SKr lbn.

of around SKr lbn.
Yesterday the bailiffs moved in for the first time seizing assets worth around SKr 800,000 on behalf of Gotabanken, the Swedish bank that is facing the uphill task of clawing back SKr 578m from El-Sayed. Leif Silbersky, one of Sweden's Star lawyers, who is acting for El-Sayed, admitted: "If Gotabanken wants to put him into hankrupicy, they can do it."

bankruptcy, they can do it."

El-Sayed himself has spent much of his recent time travelling abroad in a desperate attempt to find financial backing to buy back control of Fermenta. But at home in Sweden, the problems only multiply.

As the creditors move in, the public prosecutor's office is pursuing its investigation of his Fermenta affairs, having officially informed him that he is suspected of serious fraud, serious book-keeping crimes, and breaches of Sweden's companies act.

companies act. At last week's latest Ferments shareholders meeting, El-Sayed was subjected to a blistering attack from the company's outgoing chairman Kjell Brandstrom, who said it was "un-believable that he had been able to dupe so many for so long."

Those taken in completely by El-Sayed according to Brandstrom included "20-30 banks in Sweden and abroad, a large number of highly qualified financial analysts from banks and brokers, and highly qualified financial journalists, as well as the company's old board and

Men and Matters

Sweden's biggest post-war corporate scandal still has a long way to run,

Party bird

Ewan Launder was well aware that attaching his surname to a new Nassau-based investment bank would risk comments that were wry at the least.

So he did the next best thing, hatching Quail Investment Company from his middle name, Quayle.

"The quail is a small European bird that doesn't fly and

"The quail is a small European bird that doesn't sy and keeps a low profile, but is successful in its endeavours," explains Allan Campbell, the company's number two.

Like managing director Launder, and Quail's third key man, Quentin Raer, Campbell is a veteran of the far-flung empire of Hongkong and Shanghai's Wardley merchant bank.

bank.

Since emerging from the nest in 1984, Quail has advised Nevi in the Norwegian company's successful offer for the former Baitic Leasing, and has turned up again this week at the head of a concert party which has bought 29 per cent of W. A. Tyzack, the Sheffield engineering group.

Quail, and Jersey-based Quarius Investments, see their holding as passive, Campbell says, but board representation is being discussed.

Collection day

After working in medical research from Monday to Fri-day Professor Dennis Chapman becomes a money man on Sun-That is the day he devotes thing, Chapman has declined an day morning.

nages are the only benefit from my point of

research funds to help support a team of 20 at the Royal Free Hospital school of medicine.

His persistence at his second discipline is paying off He has been persuaded the City to put just persuaded the City to put up more than fim for a new company, Biocompatibles, which is to try to exploit some far-out ideas for new medical tech-

Chapman, who holds the view that Britain's academic world finds industrial money "inferior" to government handouts, has scant sympathy for the Sava British Science campaign which has been led by some Oxford

Preferring to do his own

invitation to join the campaign which, he says, expects the taxpayer to keep meeting demands for more research money. He says of the campaign's supporters. They are right out of touch with today's world. His robust view is that research should be funded wherever the scientist can find a reputable patron. To ram home the point he reminds me nome the point he reminds he of the occasion he once experienced as a Cambridge don trying to set up a new laboratory with industrial support — when his semiors argued that, "Engineering is not a fit subject for scholarship."

Freudian slip?

"Honne "and "tatemae," I am told, are two of the most important words to know in understanding the Japanese.

They refer to the practice of concealing what you really mean (honne) with an elegant

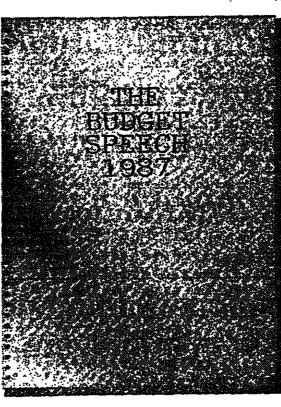
mean (home) with an elegant euphemism or even a lie (tatemae). Japanese businessmen are, needless to say, past masters at this, and anyone dealing with them must be very careful in interpreting what he is being told.

Thus, an "erratum" notice in the March newsletter of the Electronics Industries Association of Japan came as something of a surprise. Toshio Takal, president of the EIAJ, which represents Matsushita, that have ravaged the electronics industries of Europe and the US, was observing in the newsletter the similarity of recent market trends in the US and Japan.

and Japan. He wrote: "This fact is interesting since it indicates that one nation's electronics in-dustry cannot grow except at the sacrifice of the other." What Takai really meant to

say, the EIAJ hastened to point out, was that one nation's elec-tronics industry cannot grow by sacrificing the other. Some might prefer to believe that this was a rare case of the home covering up the tatemae.

Observer



What the Chancellor said.

Like most people, you probably listened avidly to the Chancellor's Budget speech yesterday.

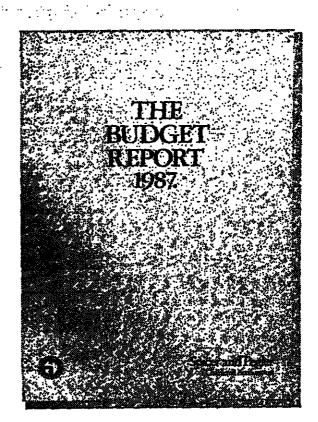
And, also like most people, though you followed it in broad terms, you may have failed to grasp all its implications.

Which may mean you'll miss your chance to grasp any tax advantages or avoid any pitfalls.

At Spicer and Pegler, this year just like last year, we've been working round the clock to translate the Chancellor's words into a comprehensive report.

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FINANCIAL TIMES

Wednesday March 18 1987

SPARKLING That's BTR

A question of market performance Brazilian

company which has lost more than £800m over the last 11 years, operates at less than 50 per cent capacity, has 12 per cent of its work-force on indefinite lay-off and is struggling to maintain sales in a

Understandably, this question has been occupying the best minds in the Fiat group since it decided last October to make a bid for Alfa Romeo which would be certain to

In a sense, this was the easiest part of the exercise and the Fiat strategy for developing prestige "Alfa-Lancia" cars undemably imcompany which had owned Alfa since 1933, and the Italian people. Fiat thus won the prize and the challenge to make a success of Italy's most sensitive act of privatisa-

But until recently, the question has remained: how exactly would have remained: how exactly would first implement a 13,750hn (\$2.87bn) five-year investment plan, bring in new models, make profits by 1991 - and all to be accomplished without any forced redundancies?

As if peeling an onion, Fiat has been gradually supplying some of the answers over the last six weeks during long, tense sessions with nervous and divided union representatives of Alfa's 34,000 workers. In the process, Fiat has drawn a

picture of a company which had fallen far behind the competitive standards required to prosper in world markets, with production methods that were either inefficient or outdated, or both, and battle for power with the organised

The parallels with Fiat's own predicament in the late 1970s are not lost on Mr Cesare Annibaldi, Fiat's director for external and industrial relations, who is masterminding the negotiations with the Alfa unions. "We know the task is very John Wyles in Rome reports on Fiat's attempt to see off the opposition in the bid for Alfa Romeo's heart



Alfa if we did not think it could be done there," he said.

Essentially, the task is to raise Alfa to the standards of productivi-ty and profitability which Fiat now enjoys. The productivity "gap" has been precisely measured at 37.5 per cent, which means, as Mr Giuseppe Tramontana, Alfa's managing director, told union leaders, "working more and working better." Two thirds of the problem stems from thirds of the problem stems from working practices, added Mr Tramontana, and one third from problems of factory organisation and

Alia's search for higher produc-tivity began long before Fiat ar-rived on the scene but the men of Turin are still astounded by the solution adopted in 1981-82. This borrowed from the "work group" concept of job enrichment pioneered by Sweden's Volvo but sought to apply it to the moving assembly lines at the company's two plants at Arese near Milan and Pomigliano del Ar-

"This was a very irrational system which caused heavy losses," says Mr Annibaldi who believes that it is totally impractical to expect teams of workers to carry out efficiently a variety of tasks, which they are free to reallocate between

moving assembly line. "Automation is the answer to job satisfaction," he

But Fiat's objectives in the union negotiations go beyond scrapping the work group system. There is a need to harmonise the working day which, for a variety of reasons, is 55 minutes shorter at Alfa than at Fiat, although pay is slightly lower. Moreover, the time allowed for assembly operations is somewhat more generous than at Fiat plants, while basic factory organisation and flow of materials leave much scope for reform at Alfa, says Mr

The Fiat director says that the only change made to the company's basic plans since acquiring Alfa in January is the decision to move a share of production of the Lancia Thema to Arese and the Autobianchi Y10 to Pomigliano from the end of this year. The reason, quite simply, is the need to raise throughput at the Alfa factories and, in the process, to take capacity pressure off Fiat plants with the manufacturing

launch of the new Due model. These transfers will bring with them modernisation and further automation of the two plants - the requirement at Arese being rather more acute than at Pomigliano. The

laid off later this year for up to 14 months to allow modernisation of their paint shops.

In addition, the 9,200-strong workforce (of which 2,700 are laid off) at Pomigliano will fall through natural wastage and early retire-ment to 8,000 in 1990. Production, in the meantime, will have doubled from 90,000 to 180,000 vehicles, which will be new designs of the Al-

At Arese, the workforce will fall from 9,700 (1,500 currently laid off) to around 7,000, while output will rise from about 100,000 to between 140,000 and 150,000 vehicles - the Lancia Thema, the new Alfa 164 due cut in the autumn, and a new

Union reaction has ranged from passive acceptance of the Fiat case to downright hostility. This smouldered into flame last week among the national leadership of the Com-munist-led CGIL confederation and the CISL factory leadership at Arese. Both are deeply opposed to abandoning work groups and their resistance brought negotiations to a breaking point last Thursday.

Although Italy has long ceased to be a geographical collection of city-states, the difference in industrial ulture between Turin and Milan is somewhat greater than the 140 km which divide them.

It is still too early to say whether the "Torinese" culture will be em-braced by an Alfa workforce which is more highly unionised than the 25 per cent union membership at Fist. Anxious to appear "modern" in their attitudes to change, the na-tional leaderships of the CISL and UIL confederations certainly give every impression that they are ready to do it Fiat's way.

Much could depend, however, on whether the unions can be convinced by Fiat's promises to preserve jobs, and whether they can be correspondingly intimidated by the they are free to reallocate between unions have been told that about threat to employment implied by themselves from day to day, on a 800 workers at each factory will be any failure of Fiat's strategy.

\$135m car components joint ven-ture with the Brazilian state of Minas Gerais under a deal which brings the Italian parent full ownership of Fiat Automovess (Flass), its Brazilian car produ-

In return for surrendering its 18 per cent holding in Fissa, Mi-nas Gerais is taking 49 per cent of the new components company, Bettim Participacoes. According to Fiat, the company's capital will be around \$135m and its labour force 3,600 people.

and a surplus last year which is believed to be more than 30 per cent higher.

components deal to be set up

The Turin company said yes-terday that the range of compo-nents to be produced at the new plant had not yet been decided. However, it is thought likely that some of its output will substitute components produced in Italy Fiat's Magneto Marelli sub-

The purchase of the Minas Gerals holding in Flasa for around \$66m brings to an end a saga which began two years ago when the state government anmeed that its stake was up for sale. Reports at the time suggest-ed that the asking price would be

Fiat's investment in the new company adds to an already significant investment in its Bra-zilian operations. In its first seven years production started in

Since then, the company has shown promising growth with profits of L72bn (\$55m) in 1985

company

THE Government-owned Philippine National Oil Corporation board has approved a plan for the combined sale of its marketing chain and refinery in what could be the country's

Citicorp, acting as consultant to PNOC, earlier this month proposed that the Government sell 65 per phil Corp, the distribution arm. PNOC will retain 35 per cent of Petron, foreign investors will be allowed up to 40 per cent and the rest will be sold to Filipinos.

No single foreign investor would

tiating the country's comm

Citicorp has valued Petron's net ssets at between \$83m and \$165m Valuation of earnings has been complicated by the past practice of passing profits from the marketing

Manila to privatise oil | All Share at an insurance of per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the month-long surge in gilts has brought the yield gap well at the per cent, the per cent, the per cent at the

and Kuwait Petroleum are amons the companies seriously interests in the purchase, said Mr Edeardo Detensor, Deputy Finance Secretary. BP confirmed that it was interested and was waiting for the intentions.

be allowed more than a 30 per cent holding in order that PNOC could maintain its blocking minority interest, Mr Defensor said.

Citicorp's plan will have to be approved by the Government's committee on privatisation when its chairman, Mr Jaime Ongpin, who is also Finance Secretary, returns from New York, where he is renego-

Petron controls 900 retail outlets, a third of the country's gas stations, and has about a third of the country's \$1bn a year retail market, Mr Defensor said. The refinery has a capacity of 155,000 barrels per day but has been operating at only 33 per cent capacity.

THE LEX COLUMN

Penny plain, and tuppence coloured

Dull but smert; that is the City of London judgment on Mr Lawson's and tuppence in hand delivers the equisite electoral bribe in time for a June election but holds back enough for a repeat performance should it be necessary next year. By choosing to divide the revenue spoils equally between reduction in the standard rate and holding down the public-sector borrowing requirement, the Chancellor has ensured that the gilt-edged market will press for yields well below 9 per cent. If bank base rates do not fall by a full point this morning, it can only he because the banks have decided to take a half-point now and look for a full point in a week's time. The knock-on into lower mortgage rates - hence low inflation impletes the monetary side of the

lection package.

After those years of attempting to constrain EMS, and subsequently to steer by its movements, the abandonment of broad money targeting may occasion the odd tear among hard-line monetarists. Yet the £M3 numbers had so long since succumbed to a mixture of Goodhart's law and the falling velocity of bank accounts that their formal retirement comes not a moment too soon. The fact that the foreign investors in gifts do not see the growth of broad money as a sign of currency risk - or even of a sterling interestrate risk - shows how worthless a ritual it had become to set monetary targets which could not be hit. Abolition of the exchange control legislation is a more rhetorical flourish, whose only real purpose is to have a joke at the expense of Mr

The sole effect on equities was a reach-me-down enthusiasm that carried over from the fixed-interest markets. Even with the yield on the within bounds of normality. Aside from very specific concessions to the oil exploration sector, and the surprising lenience towards the companies which exploit human frailties - drink, tobacco and betting (on-course only, bad luck Sears and Ladhroke) - there was little ad- get. There was also an absence of justment for equity market-makers reforming prestidigitation, a conse-to make. They just marked the quence of the need for a short Fiwhole lot up, and then down again.

nance Bill; no point in clogging the
Those companies unlucky enough text with stuff that will end on the still to have large amounts of unuti- cutting-room floor.

Inflation

bility will take care of the problem.

All that pressure to buy companies

with UK earnings - never mind the industrial fit - need never have

been there; Turner & Newall need

tunately, those who saw the tax-ef-

ficiency of putting capital gains through the profit and loss account.

to get taxed at the personal rate, will no longer be able to play. Well

done Dixnes, for getting in its Woolworth placing on Monday.

Cash flow planners who made a good thing for large new groups out

of buying up small but elderly busi-

nesses, thus taking advantage of

the easy pre-1965 payment terms on

months' interest free - will have to

look for a new loophole: tough luck, Habitat. And although tax experts

in multinationals have already re-

conciled themselves to disconnec-

tion of the Delaware link, which

had allowed double offset of inter-

est payments against taxable profit,

to have the plug pulled at this end as well as in the US does mark the

end of a minor industry.

The anticlimactic air of this bud-

get arose only in part from the ac-curacy with which the overall eco-

nomic judgment had been discount

earliest train home for many a bud-

not have bothered with AE. Unfor-

West Germany And now for the bad news. Braye faces greeted Japan's worst GRP figures for 12 years but in West Garlised ACT must be rejoicing at a new method of making their dividend payments less profligate of

ing young men.

In Frankfurt even the "Aids of tax, simply pile up enough specula-tive gains in the equity bull market, and the resulting capital gains liafect seems to work in reverse as Bayer and Allianz (the chemical company's main insurer) dis-covered yesterday following reports of legal claims from hisemophilises. The weak domestically engineered. rally of three weeks ago had a ready been well buried by the VW forex scandal which helped to sen the Commerzbank index tumbin and underline just how fragile the German market can be...

But no Lewson budget would be complete without some messure— whether or not it needs legislative

complexity - designed to clother the financial sector. The ruling that banks and financial

hanks and financial service compa

nies will in fixture have to pick up the £300m tab for their Vattable in

puts fills the bill nicely. And an end

to the giving of huge tax free stars

on retirement will do no barm to anyone but fully depreciated appail-

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Unfortunate timing, then, for the heaviest stream of share placings in the market's history. And particular larly irksome for the biggest of the lot at Veba, the energy conglomerate, where the Government had been due to unload its 25.6 per cent stake later this month. A significant delay in the Veba

sale is probably wise - particularly as the Government is well placed to know if and when a reflationary boost to the markets may be com-

Germany are not usually good barometers of reliation and in any case. the pre-VW Hochtief placing was y achieved at a massive dis-mt. So the Government may have to wait a long time to get back to its original hope of reising nearly Perhaps the expected delay has

siastic institutional response despite Vebe's remarkably attractive yield (especially for domestic inves-tors). Or even in the Government's realisation that selling its remaining VW stake is going to be even more difficult unless Veba is a hit.

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We operate on the principle of one of the 10 largest banks in banking field. Our total group security and the largest possible West Germany and one of the return. This must work because top hundred in the world. It is amongst our clients are large a public law credit institution companies with significant funds owned by the Federal State of to invest. Apart from the usual Lower Saxony and the Lower national and local bonds, owners guarantee all liabilities of unique to us. And as an important issuing bank we always keep an eye on the market watch- bank is a world-wide bank paring for new beneficial trends. ticipating fully in all sectors of

the bank on a joint and several basis. Norddeutsche Landes-Norddeutsche Landesbank is the domestic and international

assets in 1985 came to 92.62 billion DM. With our branch in London and the subsidiary in Luxembourg we have two operating bases that enable as investments we offer German Saxonian Savings Banks. These to look after business interests right on the spot.



US urged to curb oil imports

RECENT RAPID growth in US oil imports and increasing long-term reliance on Middle Eastern oil supplies have potentially serious implications for US national security, according to a US Administration

Mr John Herrington, the US Enthat the US Administration's "benign neglect" of the domestic oil industry, which has been thrown into turmoil by the recent collapse in world oil prices, was over. He recommended urgent action to curb the rapid growth in imports and the 'devastation" of the US oil industry.

"The crisis in the domestic petroleum industry, an industry that is critical to our energy security, is taking an enormous toll, and is creating serious problems for the future," said Mr Herrington in the foreword to a 350-page report on "Energy Security" which was re-

leased in Washington yesterday.

The report says employment in the US oil industry fell by 150,000 in 1986 and domestic oil production fell by 800,000 barrels a day and is expected to fall by another 400,000 b/d in 1987. Oil imports increased by almost 1m barrels a day to 5.3m b/d in 1986 and are forecast to rise to between 8m and 10m b/d, or at least 50 per cent of US consumption, by the early 1990.

"It is clear, based on these findings and this review, that initatives must be taken to strengthen the US oil and gas industry and reduce our growing dependence on insecure imported oil," said Mr Herrington, who noted that "the suddenness and severity of the oil market collapse has devastated significant segments of the US petroleum in-

The US Administration came under fire last year for ignoring the impact of the collapse in world oil prices on the domestic industry and mportant oil-producing states such es Texas, Louisiana and Oklahoma.

World Weather

Fairchild seeks buyout finance as Fujitsu deal falls through

Cancellation of the Fujitsu deal,

which would have merged the two

BY LOUISE KEHOE IN SAN FRANCISCO

FAIRCHILD SEMICONDUCTOR of the US said yesterday that it would move quickly ahead with alternative financing plans following the cancellation of proposals for Fujitsu to acquire an 80 per cent stake from Schlumberger, Fairchild's par-

"We are shocked and extremely disappointed by news that the neartion has been concelled due to political pressure," said Fairchild, "but we are moving ahead with alternative plans." Fairchild's management is under-

Donald Brooks, president, met Schlumberger officials yesterday in New York to discuss the proposal. No alternative offers to acquire Fairchild have been made, the com-

stood to be seeking financial backing for a leveraged buy-out and Mr Pan.

pany said, although it did not rule out consideration of any offer that

companies' US and European semiconductor operations, represents a major setback for Fairchild. The company became a pawn in a high-powered political game," an-

alysts said yesterday. Fujitsu and Schlumberger are un-

posed transaction following statements by Mr Malcolm Baldrige, US Commerce Secretary, that closely linked the deal to a supercomputer trade row between the US and Ja-

"Fujitsu is a major supercompu-ter manufacturer," Mr Baldrige pointed out. "The proposed Fair-child acquisition comes at a time when the Japanese have essentially told us that they cannot buy US supercomputers for government and university use."

Mr Baldrige also called for a Cabinet-level review of the acquisition. US reports, later denied, that Mr Caspar Weinberger, Defence Secre-tary had joined Mr Baldrige in seeking a Cabinet review of the deal on the basis of national security concern also appear to have first major privatisation since Presstrongly influenced the Japanese. Fairchild is the second largest er

supplier of chips to US military con tractors with military sales last year of \$150m. The Fujitsu-Fairchild merger was widely seen as a threat to the US semiconductor industry because it would have given Fujitsu access to

key semiconductor distributors in the US who handle about 25 per

cent of all US chip sales. To date, Japanese companies have been effectively excluded from the distributors by US firms which objected to cent of Petron, consisting of the sharing distributors with their Jap- Bataan Refining Corp and Petro-

Industrial countries to limit use of aid in export credit grants

BY PETER MONTAGNON, WORLD TRADE EDITOR IN LONDON

MAJOR industrial countries yester- into effect from July, it will become day agreed in principle on new rules designed to limit the use of

aid in subsidising export credits to The agreement was announced by the Paris-based Organisation for Economic Co-operation and Development (OECD) after three countries - Japan, Austria and Switzer-

land - finally signalled their readiness to accept the proposals. Mr John Coleman, the senior Canadian trade official who chaired the OECD discussions, said the new rules would mark "significant prog-ress towards the elimination of sub-

sidies on commercial export cred-

more expensive for lending countries to subsidise export credits through an additional injection of The minimum permissible level of aid in so-called "mixed-credits" is

to be increased in two stages from the current 25 per cent to 35 per cent by July next year. Changes in the way the cash value of the aid is calculated will make it harder for low-interest countries to meet this minimum level, as their own low cost of funds will be taken into ac-

ing at the OECD in mid-April.

Janan, Austria and Switzerland delayed their acceptance of the deal until the last minute because the changes will make their aid efforts much more expensive. All three

countries have imposed technical conditions on their acceptance, and these will still have to be discussed at a special implementation meet-

Mr Coleman, however, said that the technical conditions "do not directly affect elements of the pack-Japan, for example, has asked that the new rules for calculating

the value of aid in mixed credits should not be extended to general OECD calculations of the value of its official development assistance.

If they were, the reported overall value of Japanese development aid would drop sharply, which could be

Budget paves way for early election

Continued from Page 1

companied by a £115m package of nity of helping the unemployed.

measures to help small companies,

From October. errolevees will and by a string of changes to streamline corporation tax and to close loophole's in the payment of

Mr Lawson also announced new tax incentives to encourage the spread of profit-related pay, and more favourable tax treatment for Mr Lawson's package is likely to

prompt a 1 percentage point cut in UK interest rates, with perhaps

half of that coming as early as to-

day. Conservative MPs said the

budget was a good, if rather low-

key springboard for the election, but opposition parties accused the

Yesterday's tax reduction was ac- Government of missing an opportu-

From October, employees will be able to "top up" their occupational pension schemes with tax-free con-tributions to a plan of their choice. At the same time, the tax authorities will try to curb abuses of the system by restricting excessive tax relief for the most highly-paid

The combination of tax cuts and a lower borrowing target in the bud-get reflect what Mr Lawson ac-knowledged as the "remarkable buoyancy" of non-oil tax receipts, particularly corporation tax. The Treasury's receipts from

those taxes more than offset a £7bn

to raise public spending in 1987/88 by nearly £5bn.

The decision to use more than half of the £5.6bm available in the budget to cut the public borrowing target for 1987/88 followed official figures indicating that borrowing in the current year will undershoot by 23bn its original 27bn target. Lower bank base rates are likely to prompt a cut in home loan rates, providing an added boost to most

people's finances even before the

tax cuts take effect in the first pay packet after May 17. The 2p reduction in the basic rate will add around £3 per week to the income of a man on average carn-

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Fresh pressure

on AT&T over

bid for CGCT

grouping but doubts have been raised by French officials over the

effective "Frenchness" of the con-

sortium. Apart from APT and SAT, the grouping also includes the French Compagnie du Midi group and five French unit trusts owned

by the Dutch-controlled Neuflize-

Schlumberger-Mallet bank and by Morgan Guaranty. It is the French

nature of the unit trusts which is

Mr François le Menestrel, man-

aging director of SAT, acknowledged yesterday that the structure of the APT-SAT consortium was

posing a problem. The Finance Min-

istry is expected to take a decision

on this issue in the next 12 days. Mr

le Menestrel suggested that APT and SAT would consider modifying

APT and SAT sought to argue

yesterday on the industrial merits

of their proposal to acquire CGCT. They claimed that the APT 5ESS-

communications (DGT). CGCT will

give the winner of the bidding bat-

tile initial access to 16 per cent of

APT and SAT are also planning

to invest more than FFr 240m

(\$39m) in CGCT's French research

centre and manufacturing plant.

velopment of earth stations.

the French public switch market.

APT and SAT officials yesterday PRX public digital switch was well eld a press conference in Paris to suited to the needs of the French te-

due to be privatised by the end of the Direction Genérale des Téléc-

the structure of the partnership.

BY PAUL BETTS IN PARIS

AMERICAN Telephone and Tele-graph (AT&T) and Philips of the Netherlands may be forced to modi-

ty the financial structure of the

joint company they are forming with SAT, the French telecommuni-

cations group, to remain in the in-

ternational bidding for CGCT,

France's second-largest public tele-phone exchange manufacturer.

The AT&T-Philips partnership (APT) has long been seen as the

frontrunner to gain control of CGCT. However, it has faced an in-

creasingly strong challenge from Siemens of West Germany, Erics-son of Sweden and the Canadian

Northern Telecom group. Siemens was also given an added boost this week by the public state-

ment of Mr Jacques Delors, presi-

dent of the European Commission and a former French Finance Min-

ister, in favour of a European solu-

German group.

tion for CGCT involving the West

try to promote their bid for CGCT,

next month. However, they were

visibly emberrassed by questions on the structure of their proposed consortium bidding for CGCT.

Under the French Government's

privatisation rules, the foreign candidates interested in CGCT

must form a French-dominated con-

sortium to ensure that their share

of the telecommunications group

does not exceed 20 per cent - the

ceiling of foreign ownership for

Ericsson and Siemens have

formed joint ventures with Matra

and Bouygues in the case of Erics-son, and Jeumont-Schneider in the

case of Siemens, to ensure the for-

eign ownership rules are met

privatised French companies.

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Last night Mr Adler said there

Mr Adler also said that this was FAI's third involvement in the banking world. It holds almost 19 per cent of Advance Bank in Australia and has built up a 14.6 per cent holding in Hill Samuel in the

Whitiam, a former Labor Prime Minister, who yesterday resigned from the post of managing director of the State Bank of New South

law practice to become a full-time

ment team, also on a full-time basis, ment years, also on a nur-time basis, will be the 60-year old Mr Neville "Nefty" Wran QC, Labor premier of New South Wales for 10 years

Fecsa announces

debt moratorium FUERZAS ELECTRICAS de Cataluna (Fecsa), the electrical utility, whose financial troubles were revealed last month when its shares

SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday March 18 1987



Jones in 1980.

omura House, 24 Monument Street, London EC3R SAJ. 01-28) 8811

Chris Sherwell looks at the strategy that has created a lucrative Australian empire

Adsteam finds a touchstone to success

وكنامنالأجل

FEW of the successful new Australian entrepreneurs now spreading their wings in the US and Europe enjoy a reputation as solid as that of Mr John Spalvins, head of the

Over the past decade, mostly un-

Taft, a former president and the son of the company's founder. (\$758.6m). Apart from tugboat operations in 25 ports, the group has shaken off its traditional shipping-related ac-tivities. Instead, it has followed a

sett Capital.

Since then the Bass group has increased its stake to 25 per cent and caused resentment among the Tafis, a distinguished Ohio

Mr Carl Lindner, a Cincinnati investor who is Tait's second-largest shareholder after the Bass group, is apparently consid-ering a hid. He is widely seen as holding the balance of power be-

Moreover, the two groups said there were synergies between APT and SAT in the field of transmissions - an annual market of FFr said his group would be prepared to offer shareholders "value in 7bm in France compared with FFr 7.6bn for public switching. excess of \$150 a share." Mr Wim Huisman, vice president of APT, also added that Philips and APT had concluded or envisaged finalising other agreements with French companies including the de-

raises bid for TV network By Our New York Staff

TAFT BROADCASTING, the Cincinnati-based television station operator which is prey to warring shareholder groups, yes-terday received an improved \$1.28bn offer from Mr Dudley

Taft family

Tait's stock price soured \$3% to \$156 in early trading yesterday, apparently in expectation of an auction for control of the heavily Mr Taft is making his bid with other members of his family and a Providence, Rhode Island, in-vestment firm called Narragan-

Last year he was ousied as president of Tait when Mr Robert Bass, a representative of the wealthy Bass family of Texas, built up a 20 per cent stake.

use rams, a ustinguished Ohio family which has provided a US president, by disposing of five independent televisions stations and seeking to dispose of other most valuable assets.

tween the two families. Last week, Taff's heard rejected an offer of \$145 a share from Mr Taft as inadequate. In a letter to the board yesterday, Mr Taft

More international company news on Pages 32-34 and 47 Adelaide Steamship group of com-

der his guidance. Adsteam has achieved a 45 per cent annual growth in profits and seen market apitalisation grow from just under A\$20m to more than A\$1.1bm

strategy of aggressive diversifica-tion and investment to create a omplex, but lucrative, empire. At the centre is Mr Spalvins, Latvian who came to Australia in 1949 at 13 years of age, unable to speak English, After 18 years at an electrical company he joined Adsteam in 1973, became a director in 1979 and managing director in 1981.

Adsteam has no simple structure. vil of a job" convincing his bank's it from A\$250m in revenue, other credit committee to lend money investments - notably associates when it first saw the group's organi-Subsidiary companies which comprise Adsteam's core operations

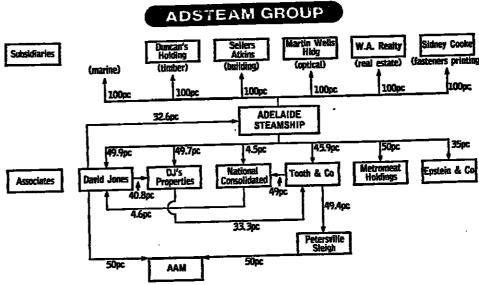
were built up in the late 1970s as

ment began to diversify and expand the group.

Apart from marine activities, sub-Duncan's Holdings, both involved in the department store; Tooth and Co, timber and building supplies, and Martin Wells Holdings, an optical goods manufacturer. The other opment; and National Consolidated, sidiaries include Sellers Atkins and nain offshoots are Sidney Cooke, involved in fasteners and printing

supplies, and W. A. Realty, a west Australian property operation. These businesses generated A\$260m in revenue in the year to June 1985. The bulk, A\$215m, came from building supplies and printing

The real insight into Adsteam, however, comes from a comparison of its revenue sources with the ori-



Among Adsteam's associates, precise shareholdings vary from year to year

Whereas the core businesses proeven has a 33 per cent cross holding A foreign banker says he had "a deduced just A\$25m in operating profand, through them, the share mar-kets - generated A\$103m in profit from revenue of A\$157m.

So it is Adsteam associates which attract investors' attention when they look at the group – and here the ownership structure becomes more complicated. Associates include David Jones,

a manufacturing company. Abroad, the most important is AAM in the US, which is owned by

David Jones and another associate, Petersville Sleigh.
Adsteam holds less than 50 per cent in each of the eight most im-portant of its associates. As with AAM, some of these in turn hold

perties, for example, are its invest-

ments in Tooth and in a company

similar stakes in each other.

Mr Spalvins says he has no inten-tion of changing the successful for-mula of a small head office setting strict financial performance criteria

and leaving individual teams to run their own operations "It's a question of motivation," he says. "Managers and employees can fly their own flag, be proud of their heritage, have an identity." Rewards take the form of shares in the companies they run, many of which remain publicly quoted.

Complicating the structure further, Adsteam associates hold major portfolios of investments in listed and unlisted companies. Stakes are not only held by one ssociate in another. They are also

beld in a wide range of other com-panies, public and non-public, both long and short-term. Precise shareholdings among as sociates themselves vary from year to year. Such flexibility allows con-The main interests of DJ's pro-

siderable juggling of assets in the cause of tax efficiency, which is an-

called Clark Rubber. David Jones other important driving force for group activities.

ments, dividends are recorded as revenue while profits from disporeported as extraordinary gains. Some analysts, seeking an easy way to understand the company, liken it to an individual who bor-

invest in the equity market and then borrows again against the investment income, all the while aiming to minimise tax. ing to minimise tax.

Certainly it is Adsteam's investment activity which has brought it to the UK, where interests include printing ink manufacturer, and un-til recently in Blue Circle Indus-Australia's high-flying share martries, the UK's largest cement man-ket are well known.

Spalvins is instantly on the look-out

announced last Friday should show net earnings up 35 per cent to

Typically, Mr Spalvin moves into a target company only on the basis on strict financial criteria - in particular where the share price is below the net tangible asset value per share - and a perception that the

The shift in Adsteam's approach came with the takeover of David

Motivating it, says Mr Spalvins, was a simple desire: "to make mon-

ey." Profit has soared from A\$54m

to A\$123m during the past five

years. Although turnover for Ad-

steam and its subsidiaries has risen

only from AS354m to AS417m, the aggregate turnover figure for the

group and its associates is now put at A\$3.0bn.

Revenue declined nearly 12 per cent to A\$157m in the latest first

half to December, but the results

company can be turned round. In the process he has acquired reputation as one of Australia's most outstanding takeover opera Mr Spalvins likes to think of his

sals are generally - but not always ing "three Ms" - money, materials Debt at the end of 1985-86 was put rows against his annual salary to at A\$468m, up from A\$297m the

facilities are in excess of A\$1bn. As for the group's immediate di-rection, Mr Spalvins is non-commitholdings in Coates Brothers, the tal. Although constantly monitoring

He is also gloomy about overall With plenty of resources at its economic outlook—which is why acdisposal – Adsteam has no shortage tion should be expected abroad rather than at home. If this is not in lished a firm bridgehead, then the Behind all this lies Mr Spalvins most likely alternative is the UK, own expertise in the share markets. where he has become well known.

APT has also formed such a Australia ushers in

new bank

By Terry Povey in London THE BIRTH of a new kind of institution for Australia - what would be called an old-fashioned investment tions of securities laws.

The investigation by the Securibank elsewhere - was yesterday being herakled with a blaze of pub-licity because of the galaxy of star

names involved from the commer-cial and political world. Putting up the A\$50m (US\$34m) initial capital for Whitlam Turnbull & Co on a 50-50 basis are Mr Larry ry Packer's Consolidated Press Holdings. Adler's FAI Insurance and Mr Ker-

were no plens for the private bank, which will specialise in providing corporate advice and in making its own investments, to go public. In the tradition of US merchant banking, privacy is very important," he

Whitiam Turnbull is to be run by three executives. One of these is Mr Nick. Whitiam, son of Mr Gough

Another will be Mr Makohn Turnbull, who at 32 has achieved tame as the lawyer for Mr Peter Wright, the former MI5 official whose memoirs have recently been the subject of a court case in Australia. Mr Turnbull will leave his

executive at the bank. The third member of the manage-

SEC launches investigation into dealings by Icahn

BY JAMES BUCHAN IN NEW MR CARL ICAHN, chairman of Trans World Airlines and one of the most feared corporate raiders in the US, is under investigation by regulatory authorities for possible viola-

ties and Exchange Commission (SEC), which has been confirmed by Mr Icalm's office, for the first time formally embroils a corporate raider in Wall Street's widening In a filing with the SEC to record

its acquisition of 15 per cent of USAir, a regional carrier it hid for unsuccessfully, TWA said that the commission had issued a "formal order of investigation" against Mr The order, which authorises the SEC staff to subpoena witnesses and documents, was issued on November 12 last year, two days before Mr Ivan Boesky, a speculator in takeover stocks, stunned Wall a massive insider-trading ring.

According to the filing, the order empowered staff to conduct a private investigation to determine shares. Street by revealing the existence of a massive insider trading ring.



Mr Carl Icahn

shares of certain unspecified issuers and the disposition of such shares.

Under US securities law, the purchase of 5 per cent of a company must be filed with the SEC.

Oeneve that any will be made.

Mr Icahn gained control of TWA at the beginning of 1986.

In the filing, TWA also announced it was dropping its \$1.65bn bid for control of USAair. USAir must be filed with the SEC.

vestigation. Lawyers familiar with SEC practice said such orders were only issued in the case of a focused investigation with a chance of progressing to civil proceedings. So far the SEC investigation has led to charges against a number of investment bankers as well as admissions by others of insider trading in takeover stocks.

tice to confirm or deny orders of in-

mg m takeover sucas.

Mr Icahn, who made large profits from buying menacing blocks of stock in such companies as Uniroyal, B.F. Goodrich, Phillips and Gulf & Western and selling them back to management, said last November that he had never "had any busi ness arrangements' or partnerships with Mr Boesky with respect to the

securities of any company."
In a letter to TWA employees dated November 19, Mr Icaim said: While it is true that the SEC has made certain inquiries, no allegations have been made against me by the SEC, and I have no reason to believe that any will be made."

Icahn) have engaged in certain acts in violation of the Exchange Act... in violation with the activities are supported by the support of the had agreed to merge with Piedmont in connection with the acquisition Japan Line plans to cut debt

JAPAN LINE, the financially troubled tanker operator, hopes for a Y7hn (\$4hm) capital increase by allocating 63.hm shares, to 11 financial institutions at a price of Y110 capital institutions at a price of Y110 institutions.

The shipping company intends to shares to be held by the banks instead of being written off Japan Line expects to report a increase to repay part of the japan Line expects to report a pre-tax loss for the year of Y10.2hm and a net loss of Y3.7hm on sales of institutions.

Farlier this mouth, IBI and other will cial institutions at a price of Y110
each. The company's capital will be boosted to Y51.5bn.
A total of 74 per cent of the new shares will be allotted to the Industrial Bank of Japan (IBJ), which has been financially supporting Japan Line since the mid-1970s.

institutions.

Earlier this month, IBJ and other this to Y83.5bn. Its cumulative debts will rise to Y83.5bn. However, the company will be able to wipe off excess liabilities, thanks of Japan (IBJ), which has been financially supporting Japan Line since the mid-1970s.

Mitsubishi Chemical edges ahead

MITSUBISHI CHEMICAL, Japan's

Overall sales plunged 22.2 per sales at Y810bn.

The company expects the cokes

source exchange, yesustrusy are nounced an indefinite moratorium on its principal repayments as part of a debt rescheduling operation, writes Tom Burns in Madrid.

The Barcelona-based utility, sixth-largest in Spain, said it was starting negotiations with its national and international creditors and that it would continue to pay interest, "punctually and with all normality."

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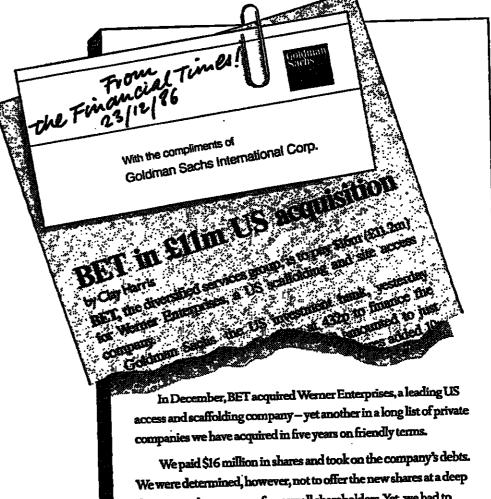
The Barcelona-based utility, sixth-largest in Spain, said it was starting negotiations with its national and international creditors and pharmacial attributed in fare well.

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The January 1987, up 12 per cent on a mand for mainline cokes from domestic stansed by the

largest invegraved chemical company expects the colles market project of petrochemical and market before of petrochemical and market to bottom out and firm demand for plastics and farm-related mand for mainline cokes from domain for mainline cokes

ACCESS TO FAIR MARKET



discount at the expense of our small shareholders. Yet, we had to place the shares quickly and efficiently. We did so by a "bought deal" in which we received virtually the market price for the shares from Goldman Sachs. This met our concern to ensure a fairer market for individuals while at the same

time, tapping the world's institutional market for necessary finance.

Who says "Big Bang" was all bad news for the private investor?

ATTENTIVE SERVICES

CIBA-GEIGY

U.S.\$50,000,000

Ciba-Geigy International Nederland B.V. U.S. Dollar Bonds - First Series (1987)

71/2% Bonds due 1994

Guaranteed by Ciba-Geigy AG

SBCI Securities (Asia) Limited

Daiwa Securities Co. Ltd.

The Nikko Securities Co., Ltd.

The Nomura Securities Co., Ltd.

Yamaichi Securities Company, Limited

Kokusai Securities Co., Ltd. Tokyo Securities Co., Ltd. Goldman Sachs International Corp., Okasan Securities Co., Ltd. Marusan Securities Co., Ltd.

Ichiyoshi Securities Co., Ltd.

Mito Securities Co., Ltd.

Universal Securities Co., Ltd. The Nippon Kangyo Kakumaru Securities Co., Ltd. Dai-ichi Securities Co., Ltd. Sanyo Securities Co., Ltd. Dresdner-ABD Securities Limited, Schroder Securities (Japan) Limited, Wake Securities Co., Ltd. Meiko Securities Co., Ltd. Kosei Securities Co., Ltd. National Securities Co., Ltd. The Chiyoda Securities Co., Ltd.

Taiheiyo Securities Co., Ltd. First Boston (Asia) Limited, Cosmo Securities Co., Ltd. Yamatane Securities Co., Ltd. Toyo Securities Co., Ltd. Maruman Securities Co., Ltd. Towa Securities Co., Ltd.

This announcement appears as a matter of record only.

March, 1987

INTL. COMPANIES AND FINANCE

Bernard Simon on how a Canadian metals group is reacting to price falls

Falconbridge tightens its belt

AS MR BILL JAMES vigorously Ontario sinc, copper and gold pro-rubs his yellow marker on a pie chart in the annual report which cal plant is among the most modern in North America. week, the chairman and chief executive of the Canadian base-me-paid too much for Kidd Creek. The

The austere annual report is one sign of how tightly Falconbridge has pulled in its belt to cope with lepressed nickel, zinc and copper is losing heavily on its nickel busi-rices. But even without full colour, ness, Kidd Creek's low-cost operathe chart in question vividly encap-sulates the recent events which

story in full colour.



may have saved the Toronto-based

The chart shows that nickel con-tributed only 26 per cent of reve-nues from Falconbridge's mines in 1986, compared with 54 per cent the cent and zinc from only 1 per cent come to their senses." to 17 per cent.

The shifting pattern stems main-ly from Falconbridge's bold C8615m (US\$466m) acquisition in January 1988 of a controlling interest in Kidd Creek Mines, the northern a hearty disdain for corporate pro-

Critics think that Falconbridge tals producer laments that the com-pany can no longer afford to tell its Falconbridge's debt has ballooned from C3284m at the end of 1985 to C\$1.2hn now. Interest charges will reach CS80m this year. But, at a time when Falconbridge

tions are a godsend. Cash flow from the new subsidiary covered all Falconbridge's finance charges last year. Even at present depressed zinc and copper prices, Kidd Creek is generating a little extra for its

The problem is that the wait may be a long one. Falconbridge itself predicts that world nickel supplies will exceed consumption by 80m lbs this year, more than the entire output from its main cluster of mines near Sudbury, north of Tor-Based on the argument that

prices will not recover until more capacity is taken off the market, Mr previous year. Copper's share James predicts that only "a good from 12 per cent to 31 per drop in prices will make people Falconbridge argues that it has

done its bit by announcing a 10-week shutdown of its Sudbury operatons later this year.

squeeze without being forced to ac- and specialised custings.

assets which it wants to keep.
The workforce at the Sudbury operations has already shrunk from 4,000 in 1982 to 2,250. Another 350 layoffs were announced at the end past few years, Sudbury is not comof last year.

The cutbacks at head office in Toronto have been equally severe. Only 152 jobs are left after dovetailing Kidd Creek's 100-strong corporate office with the 132 people at Falconbridge. The two companies marketing and exploration depart-

- Falconbridge has sold all its peripheral businesses. It raised CS86m in 1986 from the sale of interests in three gold mines and a 50 per cent spends an average of CM stake in a Quebec copper producer. Year on each of its unions it recently found another USS75m bury workers, compared by selling a 49 per cent holding in C310,000 on each (non the South African platinum produc—Dominican worker and er. Western Platinum, to the British

bottom-line profit of CS70.3m on revenues of CS1.15bn. Earnings in 1985 were CS38.5m from revenues of CS890m. According to Mr James, to cut costs significantly."

tocol, is thus preparing to administ we're fundamentally down to core ter more of the cost-cutting mediassets now." These consist of the cine he has prescribed in hig doses at Falconbridge since taking over as chief executive four years ago.

**Transport Allows Comment of the Committee of the Sudbury mines, a large nickel refinest of the Sudbury mines, and the Sudbury mines, a large nickel refinest of the Sudbury mines, and the Sudbury mines and the Sudbury min ronickel facility in the Dominican Republic, Kidd Creek, and Indus-Mr James says that you can Republic Kidd Creek, and Indus-squeeze (costs) forever. The big min, a North American producer of question is how much harder he can

cept the capacity cuts which Falcon. Among the remaining assets, the bridge wants to avoid or selling off. problem child is the Surbury complex which consists of six nickel/

copper mines, two concentrators and a smelter. Despite the cost-cutting of the



spends an average of C\$40.000 a Dominican worker and C33,000 per worker at two small gold mines the

sals turned a CS15.5m loss into a metal prices, Sudbury is not that at tractive." But he adds that "we're the long haul and we're det

AR

U.S. \$100,000,000

Takugin International (Asia) Limited

Guaranteed Floating Rate Notes Due 1994



Guaranteed as to payment of principal and interest by

The Hokkaido Takushoku Bank, Limited

Interest Rate

69/16% per annum

Interest Period Interest Amount per 18th March 1987 18th September 1987

U.S. \$10,000 Note due 18th September 1987

U.S. \$335.42

Credit Suisse First Boston Limited

U.S. \$100,000,000



Arab Banking Corporation (B.S.C.)

Floating Rate Notes Due 1996

65/8% per annum

Interest Period

18th March 1987

Interest Amount per U.S. \$10,000 Note due 18th September 1987

U.S. \$338.61

Credit Snisse First Boston Limited Agent Bank

NEW ISSUE

This announcement appears as a matter of record only.

MARCH 1987

ALLIANCE LEICESTER

Alliance & Leicester **Building Society**

£40,000,000 10¹/₄ per cent. Notes 1992

Bankers Trust International Limited

J. Henry Schroder Wagg & Co. Limited

Banque Bruxelles Lambert S.A.

Crédit Commercial de France

IBJ International Limited

DKB International Limited

Merrill Lynch Capital Markets

The National Commercial Bank (Saudi Arabia)

The Nikko Securities Co., (Europe) Ltd.

Nomura International Limited

Prudential-Bache Securities International

Saudi International Bank

Al-Bank Al-Saudi Al-Alami Limited

Simonbank Aktiengesellschaft

Sumitomo Finance International

Tokai International Limited

NEW ISSUE

This armouncement appears as a matter of record only.

MARCH 1987

TOPS LIMITEI

(Incorporated with limited liability in the Cayman Islands)

U.S. \$200,000,000

Floating Rate Trust Obligation Participation Securities Due 1988

> Secured by a Charge on U.S. \$200,000,000 7 per cent. Notes Due 1988 issued by

The Kingdom of Denmark

Bankers Trust International Limited

Crédit Commercial de France LTCB International Limited Shearson Lehman Brothers International

IBJ International Limited Nomura International Limited Tokai International Limited

Bank of Yokohama (Europe) S.A. Credit Suisse First Boston Limited Merrill Lynch Capital Markets Morgan Stanley International Nippon Credit International Limited Saudi International Bank Al-Bank Al-Saudi Al-Alami Limited

Banque Bruxelles Lambert S.A. Kidder, Peabody International Limited Mitsubishi Trust International Limited The National Commercial Bank (Saudi Arabia) Prudential-Bache Securities International Sumitomo Finance International

Yasuda Trust Europe Limited



day, after suffering sharp falls

in the last few days as investors started to pick up paper at

on sovereign issues, with prices improving by more than a point

in some cases as dealers rushed

were still unpopular.

Most of the houses that had

Most of the nouses that make closed down their FRN market making operations on Monday were back yesterday, although dealing sizes were still generally

Goldman Sachs International

led a \$200m five-year 7j per cent collateralised issue for

Meritor, the US savings bank, which is expected to receive a triple-A rating from Moody's.

The lead-manager said the issue was designed to appeal to bank as well as traditional fixed rate

Priced at 1011, the issue pro-

vided an initial yield of 70

Commercial

paper issue for

Australian bank

COMMONWEALTH BANK of

Australia is preparing a A\$500m commercial paper facility aimed at establishing a new Australian

dollar-denominated paper market in Asia, Reuter reports

Mr Graham Hand, a senior executive of the bank, said the facility was the first in a pro-

The bank is putting together

a dealing panel and will begin discussing the facility with potential investors in Hong

Kong, Singapore and Tokyo

A note issuance facility for

Elders IXI., launched in Asia

earlier this month by Westpac,

has been halved in size to

A\$100m and terms of the facility

have been improved.

NS 97, 95

The first of the fir

| Bank 54 7" | Are ready arise change on day | Areange arise change on day | SS FRAME | AREANGE | AREANGE

gramme modelled on the commercial paper market.

from Sydney.

Buying was focused mainly

cover short positions. ordinated issues for banks

Floaters stage moderate

rally on bargain hunting

FLOATING RATE notes at a discount equivalent to its Bergen. The issue was priced at 15 European market yester—Warhung Sometics lod a The European market con-

Warburg Securities led a
A\$220m five year 91 per cent
issue for Swedish Export
Credit. The issue incorporates

the novel features of investors

options to receive principal and

coupon payments partly in D-Marks. The deal, which was

pre-placed, was designed to attract investors who liked the

ylelds available in the Austra-

nervous of the currency.

lian dollar sector, but were

The investor can receive 25 per cent of his coupon payments, and 50 per cent of

principal, in D-Marks at an exchange rate of DM 1 to

A\$1.24. The issue is priced at

The Canadian dollar sector continued firm, and UBS (Securities) led an 81 per cent

51-year issue for GMAC Canada.

guaranteed by the parent The C\$100m issue, priced at 101; traded within its 1; per cent

Bank of Tokyo International

BY YOKO SHIBATA IN TOKYO

aggregate face value to the con-

tract value. Commission rates for convertibles will be lower

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

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Average price change on day

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Convertible floating Denominated in dollars prices otherwise indicated.

Convertible floating Denominated in dollars prices otherwise indicated.

Convertible floating Denominated in dollars prices otherwise indicated.

Convertible floating Denominated in dollars prices otherwise indicated in converce of chare an conversion rate floating a loan. Prese Personaling pressure of the current effective prices of acquiring shares via the bond over the unot recent price of the shares.

© The Fluorical Times Ltd., 1967. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by

securities industry's revenues month.

TSE confirms commission

THE TOKYO Stock Exchange Ylbn into five brackets. At

formally decided yesterday to cut brokers' commissions on 0.6 per cent is applied to deals convertible bonds with effect from April 20.

The formally decided yesterday to 0.6 per cent is applied to deals over Y30m. Commission on trades of convertibles of Y1m

from April 20.

Under the new system, the will be trimmed to 1 per cent basis for computing commissions will be changed from the sions will be changed from the aggregate face value to the con- will be lowered to 0.3 per cent.

than those for equities, though higher than those for bonds, according to TSE officials.

Calculated on the basis of the average transaction value in 1985-86, the forthcoming rate ment wants to implement in the securities transaction tax, which forms part of the tax reform system that the Government is appropriate to reduce the securities transaction tax.

1985-86, the forthcoming rate ment wants to implement in cut is expected to reduce the fiscal 1987, beginning next

from commissions on convertible trading by 25 per cent or about Y80bn (\$527m).

The plan calls for dividing trades of between Y30m and trades of between Y30

cuts for convertibles

هكذامنالأعهل

High-yield paper flourishes despite Boesky, Roderick Oram reports

US investors stick by junk bonds

The market's growing maturity is shown by its sheer

size, its attractions for a grow

ing range of institutional investors and the widening circle of successful under-

writers, compared with the early 1980s, when Drexel Burnham Lambert was pioneer-

position was already being chal-

lenged by competitors envious

of its success when the Boesky

affair hit last November. Rival

firms hoped that close scrutiny by the judicial and regulatory

authorities of the relationship between Drexel's junk bond operation, corporate raiders

who use junk bonds to finance

dislodge than they expected.

It remains the largest single underwriter, with its slippage

in market share more a reflec-tion of the market's maturity

Two weeks ago, for example,

it sold two issues for Holiday

Inns, the motel group, totalling

None the less, the runk bond

market will almost inevitably

have to weather further shocks

at some point as the investiga-tions take their course. The

\$1.4bn.

than a loss of its effectivenes

ing the business.

lived, analysts believe, because

the inherent attraction of most

of the bonds would soon draw

focussed attention on junk

early December, yields on single B grade paper jumped about by half a percentage point to 13 per cent, though they then fell rapidly to pre-

A charateristic of the rally

has been a growing gradation of yields as investors have

searched for better than average returns. "Some of the second and third-tier issues by

lesser known names have been

scrutinised for value by investors," said Mr Robert

search at Kidder Peabody.

takeover stocks, would work to their advantage.

But Drexel, fighting back with massive advertising campaigns in which long lists of corporate clients extolled its skills, has been far harder to

against the company's assets. First Boston's high yield index

showed a total return of 15.6 per cent last year but the return

on LBOs in the index was 26.4

"Generally, LBOs look their worst on day one with all the uncertainties facing the new company," says Mr Andrew Morris of First Boston's high yield research department. "No

one knows how it will perform,

so the bonds are priced accord-

When the Boesky scandal

investors back.

Drexel Burnham's dominant sent levels of around 12.20 per

takeovers and arbitrageurs like Levine, head of high yield re-Mr Boesky, who speculate in search at Kidder Peabody.

tions take their course. The If investors are growing more trauma should again be short-sophisticated, the primary moti-

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

THE TOKYO ELECTRIC POWER

COMPANY, INCORPORATED

(Tokyo Denryoku Kabushiki Kaisha)
(Incorporated with limited liability in Japan)

Japanese Yen 60,000,000,000

4% per cent. Notes 1992

Issue Price 1011/8%

Nomura International Limited

per cent.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

THE US JUNK bond market has rarely looked healthier, as investors eagerly mop up a

flood of jumbo-sized new issues only four months after their

confidence in the high yielding

corporate paper was shaken briefly by the Boesky insider

trading scandal.
The \$100bn secondary mar-

ket has also been enjoying a brisk rally since the beginning

of the year, driven by strong demand from institutions and individuals seeking higher returns than they can get in

the dull Tressury market.
Yet the warm glow induced by high yields and rising prices has failed to thaw out junk bonds' most trenchant critics.
Like lone bears in the stock

markets, they warn that junk bonds are performing true to the top of the cycle.

"At or near the top, the mar-

ing for fees, shakes hands with

for yield," Mr James Grant wrote recently in Grant's Interest Rate Observer. He scathingly attacked the thin

margins and low quality of some recent deals. In some

prospectuses, issuing companies admit that the numbers will work only if they pull off exceedingly ambitious corporate

restructurings.
Investors have taken comfort

from junk bonds' low historical

default rate of about 1.5 per cent. Yet that was doubled to

3 per cent last year by a series of bankruptcies in the steel,

energy and transportation industries, and there may be

About 5.5 per cent of junk bonds analysed in a recent study were "particularly vulnerable" to default because

of the parlous state of their issuers' balance sheets. The

survey of issues by 500 com-

panies totalling \$75bn — three-

quarters of the total junk bond

market — was commissioned by

Despite these potential diffi-culties, it is almost universally

accepted that high yield bonds,

as junk bonds' proponerate prefer to call them, are a vital

and legitimate source of funds

for the large majority of US corporations, which are finan-

cially sound but do not meet the strict criteria for invest-

ment grade ratings.
Analysts believe that the

growing legions of junk bond

investors will cope with the market's uncertainties by draw-

NEW ISSUE

Daiwa Europe Limited

Yamaichi International (Europe) Limited

Banque Paribas Capital Markets Limited

Deutsche Bank Capital Markets Limited

Mitsubishi Finance International Limited

New Japan Securities Europe Limited

Credit Suisse First Boston Limited

Fuji International Finance Limited

Manufacturers Hanover Limited

Kleinwort Benson Limited

Morgan Guaranty Ltd

Orion Royal Bank Limited

Algemene Bank Nederland N.V.

Fortune magazine.

Danes react

downrating

DENMARK'S downgrading by

Standard & Poer's, the US

credit rating agency, from AA plus to AA, was taken calmly

by ministers yesterday.

"There is no reason to dramatise things. The change is a subtle one," said Mr Palle Simonsen, Finance Minister.

"Lest time we were down-

rated, the terms for our bor-rowing were almost better than before," commented Mr Anders Andersen, Economy

Mr Erik Hoffmeyer, governor of the National Bank, said the downgrading

reflected S & P's disappointment that the current external account had not improved. "I share that dis-

appointment," he said. The tongh fiscal measures of last year had still not taken full effect, he added, so that S & P may have underrated the improvement which was on the

The two factors behind

S & P's dewngrading are last year's DKr 34.5hm current account deficit, equal to 5.3

per cent of gross domestib product, and the collective

product, and the collective wage agreements for the next two years, which were concluded in January.

The 1986 current account deficit took the net foreign debt to 39.5 per cent of the GDP. This works out at about \$7,300 per capita, and by this measure Denmark is probably the most heavily indebted country in the world.

Mr Lar Tybjaerg, the

mintry in the word. Mr Lar Tybjaerg, the Ministry official

berrowing, said there was no indication in the terms of

Denmark's most recent borrowings, a Y130bn and a

\$500m Eurobond issue, that the market has changed its

we have seen some criticism of our berrowing activity in

the international press."

The criticism has reflected

Denmark, which receives many offers, plays off the hanks against one another

and thereby shaves the return

Mr Tybiaerg agreed, how-ever, that over the longer term the downrating could

have an adverse effect on the

terms on which Denmark can

borrow if it fails to get its current account under better

Denmark was in the market for DKr 56bn (\$7.23bn) in 1986, of which a substantial

amount went on pre-payment

Ministry's tentative programme is for gross borrowing of about DKr35hn,
The central bank yesterday

lowered its meney market intervention rate from 11 to 10) per cent. The rate was raised from 9; to 13; per cent

raised from 94 to 154 per cent in January when currency began to flow out in anticipation of the EMS realignment. Funds were slow to return and the rate has only now been brought back to 104 per cent.

Fuji bank chief

defends low

capital ratios

MR YOSHIRO ARAKI, president of Fuji Bank and current chair-man of the Federation of Bank-

ers' Associations of Japan, yes-terday attacked efforts to bring the low capital ratios of Japanese

banks up to the levels of those in the US and the UK.

nese institutions would try their best to follow the new rules in-

troduced by the US-UK agree-ment signed last January. Mr Araki told a press conference in Tokyo that it was "rude"

lar foreigners to discuss the issue purely in terms of figures since financial practices differed wide-ly between countries. Banks, he

ness; Japanese banks were not violating local regulations in any

According to figures available to bank analysts, the current ratio of paid-up capital and reserves to liabilities stands at 2-3 per cent for Japanese banks against 5.5 per cent for US banks.

Talks between the US, the UK can larger on the US, and larger on the US, and larger on the US.

and Japan on the issue ought to begin by defining the ratio of net worth to liabilities, Mr Araki

Such a definition would presumably show Japanese institu-tions in a much more favourable

light by taking account of their

large unreported holdings of sec-urities.

Japanese securities houses have again asked the Ministry of

houses may also allow foreign brokers to underwrite more 10-

Finance to consider introduc auctions of 10-year government bonds, Reuter reports from To-

kyo. The

C.ths C.com 1106 6.14 2804 11.16 2807 7.16 1808 6.69 1908 6.51 2808 6.52 2702 6.53 2702 6.53 2808 7.82 640 11.30 2808 7.82 640 11.30 2808 11.40 640 11.30 440 6.71 2808 6.13

Ministry official ole for foreign

intment," he said. The

calmly

1011.
The Euroyen market con-

tinued strong, and Nomura International led a Y20bn five

year issue for Toronte Domi-nion Bank. The 4f per cent issue was priced at 101f. It was quoted at a bid price of 99f, slightly outside its total

In the D-Mark market, prices eased by about 1 point in continuing small turnover. Deutsche Bank led a DM 400m

10-year 64 per cent issue for the European Investment Bank

Priced at 1001, it was bid within the 11 per cent fees, although dealers said its call

option after seven years at 1004

night prove uppopular with

In Switzerland, prices eased

Credit Suisse led a SFr 50m

five-year 41 per cent issue for Kayaha Industry, the Japanese hydraulic equipment maker. It

was priced at 1001, and may be

or less from 0.6 per cent.

The TSE had intended to cut

slightly in moderately increased trading volume.

to S&P

They like junk bonds because

of their premium over yields

the yield on, say a 10-year Treasury has fallen from 9 per

cent in January last year to 7.20 per cent today, junk bonds

have maintained an average 5 point premium. They continue to yield 3 to 4 points over in-

vestment grade corporate debt.

loans associations, for example, have shown for the bonds has prompted Washington regulators to study whether rules should specify the maximum

percentage junk bonds should

occupy in the associations' port-folios. A recent survey of 15

large insurance companies by Morgan Stanley, the investment

dealer, found that they planned

to invest an additional \$20bn in

overs, restructurings and buy-outs before the old tax regime

The dramatic drop to \$756m

in January, partly because a number of ambitious takeover bids were dropped, helped fuel

the secondary market rally. But

even with volume picking up to \$1.61bn in February and to

more than \$2.6bn in the first half of this month, according to

figures from IDD Information

Services underwriters are con-

fident that investor demand will

17th March, 1987

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The appetite savings and

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COMMERZBANK

INTERNATIONAL COMPANIES and FINANCE

PLACING OF MINORITY HOLDING SPARKS RENEWED CRITICISM

Mexico sells third bank stake

third state-owned bank, watched by clients. critics who saw last month's share sale in Banamer and Bancomer the country's two major commercial banks - as at least partly an exer-

cise in political patronage. Banca Serfin, the country's thirdlargest commercial bank, is selling off share certificates - known as off share certificates – known as Certificades de Aportacion Patrimonial (CAPs) – worth just over 27bn pesos (\$25.4m) or 34 per cent of its pesos a share, an historic price/pesos a share, an historic price/ oaid up capital.

In line with earlier sales, Serfin's placing is in the form of a new capi-tal issue, and it is understood that

Gencorp margins

GenCorp said the adoption of a

at the start of the current year.

INTERNATIONAL PROPERTY REVIEW

This advartisement appears as a matter of record only.

suffer pricing

competition

By Our Financial Staff

THE MEXICAN Government yes the stock is being distributed at. This contrasts with the Bancom expect to trade at a lower p/e ratio terday sold off minority stakes in a most wholly among employees and er and Banamez issues, which were ings, for an effective price to net

The Banamer and Bancomer isworth ratio of about 39 per cent. sues - which fulfilled a pledge by Share certificates in these two the Government to privatise 34 per cent of bank stocks after the commercial banking system was expropriated in 1982 - sparked a public controversy when the price of five, respectively. This compares their CAPs shot up as soon as they with a current market everage of 16 times historic earnings and for the select few who managed to buy the CAPs, signifies gains of between 200 and 300 per cent since issue. Serfin, which is half the size, has earnings ratio of two, or effective price to net worth ratio of 56 per

But even if it rises to around 3.5 - as it shows every sign of doing - inves tors can expect a 75 per cent profit on the first day of trading.

A further difference with last banks, which each hold about a month's issue is that Seriin is only quarter of all commercial banking issuing CAPs, whereas Bancomer assets, are being priced in the secondary market at a p/e of four and made up of one share certificate and two convertible bonds.

The latter are convertible into CAPs on predetermined redemption dates at market price minus a discount of 25 per cent - which implies that the two banks still have part of their capital expansion still clearly been priced higher and can

Advanced Micro plans new chip

By Louise Kehoe In Sen Francisco

ADVANCED MICRO Devices, the battered US semiconductor manulacturer, which reported losses of \$130m over the past 18 months. plans to build a micro which, it claims, will outperform any currently available.

The AM29000, 32-bit microprocessor is the most significant pro-duct introduced by advanced micro devices in the company's 17-year history," Mr Tony Holbrook, president, said. "We are staking our reputation on this chip."

Announcing the new chip in San Francisco on Monday, AMD con-ceded it had yet to make a working sample but said it would have the chip in production by early next

AMD aims to persuade mamilae turers of engineering workstations to adopt its chip for their next generation products. Officials say the The slower growth in the balance design has been greeted with great interest by companies including Apple and IBM, which currently use Motorola and Intel micropro-

Although a major supplier of microprocessors and other complex chips, Silicon Valley-based AMD has not previously designed its microprocessors. AMD manufactures micros under licence from neighbouring Intel.

The market for high-perior microprocessors is projected to to-tal \$200m by the end of the decade. Peripheral chips that work beside the microprocessor "brain" chip will bring the market value to more than 51bn, AMD reckons.

Swiss bank expects to raise SFr 50m through rights issue

BY WILLIAM DULLFORCE IN GENEYA

BANCA della Svizzera Italiana ian-speaking canton of Ticino and (BSI), the Lugano-based Swiss one of the six largest publicly quot-GENCORP, the fifth largest US tyre company, has reported a fall in first-quarter net earnings to \$17m, (BSI), the Lugano-based Swiss bank, plans to raise about SFr 50m or 77 cents a share, from \$19m, or (\$32.5m) in new share capital 84 cents. Sales in the quarter, which ended February 28, rose to \$650m through a 1-for-12 rights issue at a price three times par value, Mr Giorgio Ghiringhelli, the managing The tyre segment reported an op-

director, said yesterday.

He put the value to shareholders rating profit of \$9m, down from \$12m a year ago, on flat sales. Profit of the subscription right at SFr 140 margins were aggravated by competitive pricing and costs associated per bearer share and SFr 45 per with consolidation of manufacturegistered share.

Shareholders will also be asked to approve the issue of 200,000 new new pension accounting standard participation certificates each of during the first quarter lowered nominal SFr 100 without subscription rights. Existing participation certificates of nominal SFr 500 are ension costs \$1.3m after taxes. But this was offset by an increase in estimated pension costs related to to be split into five certificates of rension plan amendments adopted nominal SFr 100.

BSI, the biggest bank in the Ital-

DFDS bounces

sheet compared with the annual average of 12 per cent recorded in 1980-85 is attributed to the weaked banks in Switzerland, is increasing its payout to shareholders after booking a 15.2 per cent increase in net earnings to SFr 42m on the 1986 account. Irving Trust of New York holds 40 per cent of the capital and almost 25 per cent of the BSI voting

The board proposes to raise the dividend from 13.5 per cent to 14 per cent, made up of an ordinary dividend of 12 per cent and an extraordinary dividend raised to 2 per cent from last year's 15 per cent. The payout will total SFr 28.9m

Last year BSTs assets grew by 4.8 per cent to SFr 6.5bn, and shareholders' equity remained in step with a 4.8 per cent advance to SFr 492m.

ness of the dollar. Without the dollar, depreciation growth would have been 14 per cent, the bank said. BSL weighted more towards in-

vestment banking than the other hig Swiss "universal" banks, relies heavily on commission earnings, which climbed last year by 20 per cent to SFr 133m. Net interest income rose 3.4 per

cent to SFr 83.1m, held back by a 38 per cent decline in earnings on money market operations, while trading in foreign exchange and precious metals produced a marginally lower income of SFr 26.4m.

March 1987. This announcement appears as a matter of record only.

back for first time in 6 years By Hilary Barnes in Copenhagen

DFDS, the Danish shipping company, made its first operating profit year since 1981 with earnings of DKr 97m (\$14m), which was

much better than expected.

The company, which dominates North Sea traffic between Scandinavia, Hamburg and the UK, improved after tax earnings from DKr 34m to DKr 61m while pre-tax earnings improved from a loss of DKr 24m to a profit of DKr 70m. No dividend will be paid.

The equity-to-assets ratio, which dipped to only 6 per cent in 1983, increased last year from 20 to 29 per cent, which reflected a revaluation of the company's headquarter of-fices in Copenhagen to 70 per cent of the estimated market value Sales were down slightly from

DKr 3.49bn to DKr 3.34bn. The preliminary statements said the group's divisions - pass transport, land transport, liners and Tor Line - improved performance

For the first time for several years no ships were sold, and three were added to the fleet owned by the company, including one which from April 1 will be used to increase ger capacity on the Ham-

burg-Harwich route.

A positive result is expected again in 1987, but it may be rather lower than in 1986, the statement said.

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US\$100,090,000 ing Rate Subordin

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Negotiable Floating Plate Dollar Certificates of Deposit due 1987 Tranche A In accordance with the provisions of the Certificates, notice is hereby given that the rate of interest for the period from 19th March 1987 to 19th June 1987 has been established at 6¹¹/₁₈ per cent per annum.

The interest payment date will be 19th June 1987. Payment which will amount to US \$4,272.57 per Certificate, will be made against the relative Certificate.

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611/16% per annum 18th March 1987 Interest Period 18th June 1987

Interest Amount due 18th June 1987 per U.S. \$10,000 Note U.S. \$170.90 per U.S. \$50,000 Note U.S. \$854.51

> Credit Suisse First Boston Limited Agent Bank

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due 1993 Notice is hereby given that for the interest period 18th March, 1987 to 18th june, 1987 the interest rate has been fixed at 61%. Interest payable on 18th June, 1987 will amount to US\$166.11 per US\$10,000

Floating Rate Subordinated
Notes due 2005
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the interest period 18th March,
1987 to 18th June, 1987 the
interest rate has been fixed at
6½%. Interest payable on
18th June, 1987 will amount
to U\$\$169.31 per U\$\$10,000
Note.

Agent Bank: Agent Bank: Morgan Guaranty Trust Company of New York

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BAWAG

Subordinated Floating Rate Notes due 1990 nce with the terms and conditions of the above-In accordance with the rems and conditions of the above-mentioned. Notes notice is hereby given that the Rate of interest has been fixed at 64% per annum and that the interest payable on the relevant interest Payment Date, September 18, 1987 against Coupon No. 10 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$345.00.

March 18, 1987, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

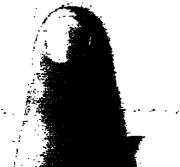
STRAUSS

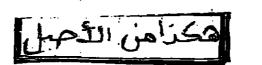
A memorial service will be held for Julius Strauss at the Plaisterers Hall, 1 London Wall, London EC2, at 12.00 midday on Monday, 30th March 1987



U.S.\$500,000,000 Undated Floating Rate Primary Capital Notes

Notice is hereby given that the Rate of Interest has been fixed at 64% p.a. and that the interest payable on the relevant Interest. Payment Date, September 18, 1987 against Coupon No.4 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$345.00. March 18, 1987, Landon By: Cribanic, N.A. (CSSI Dept.), Agent Bank CTTBANG





Part of the second A Tract

A glitch on the road to recovery

IVOR OWEN, a dapper 56-year-of the group's few genuinely old Liverpudlian, accepted one international businesses, and of Thorn EMI's biggest commercial and domestic appliold Liverpudian accepted one of Thorn EMT's biggest managerial problem areas three years ago when he took charge of the consumer and commer-cial division, the manufacturing group responsible for lighting and all kinds of domestic and commercial and commercial

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Last week, with the job of shaking these operations back into a reasonable rate of profitability only half complete, he abruptly resigned. He was going, he said, because of a dispute over how to tackle the division's "complex and varied" problems—a polite way of indicating his disenchantment with a veto by Colin Southgate, Thorn's managing director, of sweeping plans for new investment in the business.

While details of these invest. While details of these invest-

ment plans are not known, the aggressive approach advocated by Owen clearly goes right to the heart of the dilemma facing Thorn in this division and throughout the group.

For top management, looking at a range of options for expenditure in the company as whole, there have to be questions about whether the group should invest in this sector or in other divisions. What kind of returns can Thorn expect to make on manufactur-ing in the UK in a sector which is so wide open to foreign competition? How long would it take to gear up competitive production, and would the group generate better margins in some of its other businesses? Would it make more sense to rationalise lighting and appliance manufacturing by buying in some products and selling off some production activities no longer needed?

A measure of the division's difficulties can be gauged from its performance last year. Its constituent parts embrace some of the dominant companies in their sectors, including Thorn lighting, with more than 50 per cent of the UK market and a strong overseas presence. Ken strategy was new investment. The biggest question mark tors have moved in our direction which he parted hance over domestic appliances tion."

ances. The kitchen products ances. The kitchen products—cookers, refrigerators and washing machines sold under the Tricity, Bendix, Moffat and Parkinson Cowan brands—have up to 35 per cent of UK sales in some sectors.

Yet with the addition of the Ferguson television manufac-turing company (the way Thorn presents its accounts), these activities generated a trading profit of only £29m on sales of £1bn for the year to March 1986 a return on sales of less than 3 per cent. Lighting accounted for the main part of these profits—about £17m—while the appliance division, employing about 5,000 with sales of £200m, only just broke even.

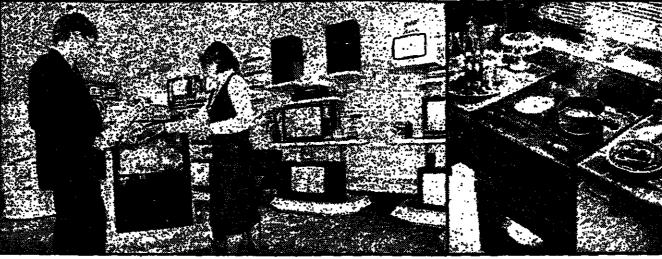
In the last three years, and at an accelerated pace since a new top management team was installed at Thorn 18 months ago, Owen had developed a strategy for tackling these prob-lems based on three main lines

The first objective was to reorganise the management into much smaller reporting groups, each run by an executive who had a more clearly defined responsibility for its perform-

In lighting, for example, the aim has been to break down a complex activity with a wide range of products—Thorn makes both light bulbs and fittings—into discrete areas "responsible for differentiating their products," as Owen put it. " Each is in a different market

place and exposed to different competitive conditions — different research and development requirements." Second, Owen was trying to shift both the lighting and consumer products divisions towards a much greater empha-

sis on product design and marketing—in his words "sell-ing aspirations, rather than to electricity board showrooms." The third element of Owen's



company with senior management.

The problem is not yet too scute in lighting, which has continued to innovate successfully, and the Kenwood kitchen appliance business has been kept up-to-date. But large parts of the domestic appliance activities are in poor shape, operating from old-fashioned plants, and making out-of-date products at

Without a revamp, these operations will not be able to maintain the pace against expanding multinationals such as the Swedish Electrolux, or the cheap products of East European manufacturers which are beginning to nibble away at the bottom end of the market.
These weaknesses are particularly acute in the refrigeration division, which Thorn executives cite frequently as an example of a business which needs a complete overhaul — from the fabric of its production facilities to the design of

uncompatitive prices.

its products,
Although Thorn has given no clues as to how it might tackle the problems after Owen's de-parture, the launch of a review of the business under Southgate suggests certain lines of attack. He appears to want a faster improvement than has been achieved or was promised under the investment plan presented by Owen; and he may have been unconvinced that a broadbased spending programme, maintaining the present range of manufacturing facilities, was the right approach. Both he and Sir Graham Wilkins,

buy in products.

—although there are some pro-mising segments within the business. Thorn's main opport-unity in this sector lies in the cooker operations, partly be-cause it has already pushed through a £10m investment in a show-piece new cooker plant a showpiece new cooker plant at Spennymore, near Durham, and partly because it has a mix of technology which is well adapted to today's market needs. The market trend in the UK is towards shorter replacement cycles and higher quality products with mixed power sources—and Thorn has the advantage of manufacturing for both gas and electricity.

both gas and electricity, The group also has a strong new technology on which to capitalise—halogen heat, or "cooking by light," a development of the Thorn central laboratories. Halogen uses a tungsten halogen filament for its heat source to give an instant response, so that users have the controllability of gas with the cleanability of electricity, an approach that has won city, an approach that has won instant success in terms of both sales and pricing: it has given Thorn a cooker it can sell for £800 against a top-of-the-range product priced at £470 only 18 months ago.

Among options to be considered for the refrigerator and microwave oven businesses, are links with European multi-nationals (Thorn could brand their products, or vice-versa), or even disposal.

Owen himself argued the investment case to the end. "I think," he said recently. "that the opportunities for Thorn's chairman, have made it ment in the UK are better now clear in the past that they are than at any time since the last not committed to manufactur- war. We are designing better ing if it makes more sense to products, our labour costs are competitive, and currency fac-

Two high street giants undergo a cultural upheaval An early decision was not to merge any of Thorn's high street chains, such as Radio Rentals and DER. Merging the

JOHN BARNES, managing takes in the Rumbelows chain. street electronics operations, was deeply unimpressed by what he found when he joined the company late in 1985.

Little consumer research, poor marketing; a failure to experiment; badly trained staff with little sense of purpose — these are just some of the horrors he had to cope with. Barnes, a high flyer in his 30s, was not used to this. He had spent all his career with marketing-driven US companies most recently as managing director of Kentucky Fried Chicken in the UK, and before

that as general manager of Pepsi in Canada.

"I was staggered by the poverty of systems and lack of controls and by the failure to invest in people within Thorn EML" Barnes remembers. Yet Thorn's high street busi-

nesses could hardly be con-sidered an unimportant part of its empire. In the last full year, rental and retail contributed almost two thirds of the group's operating profits (£97.6m out of £154m) and more than a quarter of turnover (£383.8m

out of £3.32bn).
Thorn's rental brands, with about 1,200 outlets altogether, include Radio Rentals, the UK market leader. Its retail side

with more than 40 outlets, and the HMV music chain with almost 50 outlets. Barnes set about changing the culture of his new patch.

which he says was production — not marketing — led. In this he was following the strategy devised by his boss, Dr Jim Maxmin, the Thorn board member in charge of rental and retail. Maxmin, like Barnes, had a marketing background; before moving to Thorn three years ago, he had headed Volvo's sales efforts in the UK.

One of the first moves under the new strategy was to find out more about the 3.5m people who use Thorn's shops, particularly those who choose to rent, the core of Thorn's high street busi-

"In the past, to spend £20,000 on consumer research was considered a lot," Barnes says with incredulity.
The research told Thorn three

key facts about the rental market, partly surprising and partly well known. First, contrary to popular wisdom, renting is not peculiar

come slug to which we can

to poor people.
"There is no skew down market. Our rental customers form a very broad social picture. There is an upper in-

market selectively," Barnes Second, the market has been

in slow decdline, with more people giving up renting each year than turning to it. Yet, third, within this declining total, there is a large group of people who continue to rent

over a long period. Thorn's new rental strategy volved out of these three facts. rolved out of these three facts. There was no point going all out for growth. But there was sense in trying both to persuade existing customers to rent more products and to slow the pace at which customers to rent more products. stopped renting.

Thorn believes that customer perceptions are changing— which will make these goals more achievable. Upper and more achievable. Upper and middle income consumers are more likely to rent because they want to trade in equipment quickly as each new generation comes along—"techno-fear," as Maxmin calls it.

But realising the goals, in Thorn's view, meant dumping the assumption that there was one homogenous rental or high street market. Great differentiation became the order of the

the company because of the large cost savings it would have yielded. But, counters Barnes, "it would have been a crass piece of marketing."

Next came the decision to tween renting and retailing. Rumbelows' rental business was transferred to Thorn's rental brands, leaving it to concentrate on retailing. This course is the opposite of that being followed by Granada, one of Thoru's main high street competitors, which has moved to a mixed retail-and-cental ap-

Thorn is also experimenting with new products. "We had no product testing. There seemed to be a mentality that TV and rideo were the last rental products," Barnes says.

Many of Thorn's new ideas are aimed up-market—at the yuppie renter. Some have been tried out first in Thorn's rental shops overseas. Dishwashers. car telephones, hi-fi systems, sunbeds and mobile discotheques have now been introduced in selected rental shops in the UK.

Preliminary results confirm that there is no single rental market: "In Leeds, the renting of dishwashers is going very

Terry Dodsworth and David Thomas describe the differing fortunes of two divisions of Thorn EMI, the embattled UK electricals group well. It's not going very well in Swindon," Barnes says.

Awareness of regional variations has meant giving local management greater control. "DER in Scotland is completely different from DER in London. because the demographics are completely different. We had to organise our companies so management was much closer to the shops," Barnes explains.

This meant cutting out layers of management and in many of management and in many cases appointing new people, with a biss towards managers with marketing and operations experience. This, plus much stricter stock control, has produced significant savings: the workforce of the high street business has been cut by a fifth in the past three years to 14.500.

However, Barnes wants to protect the shops from job-shedding. "We don't have enough people in the shops. The shops were regarded as the lowest of the low. They weren't properly equipped and the staff were underpaid and untrained."

Thorn's front-line rental staff are now being trained in ways of retaining customers once they have made the initial decision to rent. About a fifth of customers found their initial contact with Thorn unsatisfactory in some way, Barnes says. "The reason we loss these cus-tomers is our own inade-quacies."

Customers are also being offered more flexible terms, such as rental periods, in the drive to keep them loyal.

Most observers are optimistic about Thorn's strategy. "Thorn is adopting an imaginative approach and has a reasonable chance of succeeding," says John Sanderson, an analyst with County Securities.

However, analysts also say there is still much to be done before the new culture seeps into every nook and cranny of Thorn's high street empire, a point which Maxmin accepts. So what hard evidence is there that the strategy is work-

Thorn reels off a number of answers. Its share of the TV rental market is increasing generated enough new retail business to make up for the rental customers it surrendered. Outside observers believe rental profits could be up by as much as a quarter this year. But Barnes is perhaps most proud of the fact that his total number of rental customers looks set to be stable this year. has halted the decline of its

A new publication. Developing Directors: The Learning Processes', suggests you can

This report from the International Management Centre from Buckingham is based on personal interviews with 144 Directors in 40 companies. It shows that most of them learnt their skills on the job and that most of this development was relatively accidental, informal and

Developing Directors challenges many of the traditional theories about successful management training. It aims to help both companies and individuals to understand why structured development is essential if directors are to achieve their full potential.

Developing Directors is one of a series of publications about the development of human resources, from the Manpower Services Commission. Copies of this book and/or MSCs Priced Publications Catalogue can be obtained by completing the coupon below and sending it to: MSC PP2, FREEPOST, PO Box 161, Bradford BD9 4BR.

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FT 18/3/87

Garnar agrees merger with Pittard

Strong & Fisher last month, yesterday announced that it has ness. agreed merger terms with a third leather company, Pittard

Pittard up 7p to 303p yesterday, the terms value Garnar st £25.2m. The move creates company with sales of some £125m and net assets of about £37m. Garnar shares added 21p to

Mr John Fooks, deputy chair-man of Garnar, said the merger idea stemmed party from the monopolies reference into the earlier Strong bld. Strong pulled out in February, shortly before the Monopolies Commission was due to complete its

"It was an instructive exer-

Bremner boss

thwarts move

to unseat him

Investments from voting for

cent stake in the company,

represented the group of investors led by City and West-minster Financial, the group

with which Bremner nearly merged last year. The discussions broke up

in acrimony and since then

barded by vituperative circu-lars from both parties. Each has since served the other

MIN 2 WILL TOT INDEA.

At the EGM, after a TV
film had been shown explaining how Mr Rowland-Jones
had ousted the previous chairman, Mr Michael Black, last
warr Mr Andrew Grantelle

year, Mr Andrew Greystoke,

of CWF, proposed that the meeting be adjourned until his group could contest the

action barring it from vot-

However, as was inevitable

since the Malaga voters were disenfranchised, the motion was defeated and Mr Rowland-

Jones lived to fight another

day. CWF intends to call a fur-ther EGM if it wins its Scot-

Lord Delfont, chairman of First Leisure Corporation,

tish court battle.

the year well

following paying agents:

Corporate Trust Tellers

2nd Floor-North Bldg.

New York, New York 10041

Dated: February 26, 1987

Chemical Bank

55 Water Street

Kredietbank S.A.

Rue d'Arenberg 7

B-1000

Brussels

Belgium

First Leisure

with a writ for libel.

hareholders have been bom-

Malaga, which had a 25 per

the motion.

By Philip Coggan

even more about our own busi-

The two companies, both family businesses stretching back to the 19th century, have family With shares in Yeovil-based known each other well for years. Pittard was rumoured as a white knight for Garnar bid and it voked concern to the Office of Fair Trading and Monopolies Commission about the Strong-Garnar link-up. Yesterday, both Garnar and Pittard rejected suggestions that a similar monopolies reference might follow from yester-

previous monopoly queries arose over concentration in the domestic lambskin business.

more widely spread, spanning hide and skin markets, fellmon-geries, tanneries and in terms of finished product chamois, skivers which go towards shoe leather and other goods, and clothing leather. Yesterday, Pittard said that

Garnar sourcing could prove useful in its own business while its own technical and marketing expertise could help develop the latter's products. Little overlap is seen and the two businesses will continue to

Garnar Booth, the leather cise." Mr Fooks said yesterday. raw material is either hides or for every 20 held. There is no manufacturer which finally "We talked to various parties imported hair sheepskins. The cash alternative. The terms will escaped a £20m bid from during the reference and learnt previous monopoly oueries increase Pittard's issued share capital by almost 70 per cent.

Yesterday, Pitterd was unable Garnar Booth's business is to contact Mr Richard Strong, managing director of Strong and Fisher, which still holds a 16.4 per cent stake in Garnar. If Strong accepted the terms, it would hold about 7 per cent No one else at Strong was prepared to comment on the merger announcement beyond saying that Strong had no im-

of tits stake. Pittard last month reported a 56 per cent increase in pre-tax profits to 54.19m in 1986. Garnar Booth announced Pittard's £43m sales are split for the first year, between gloving leather (55 per cent), shoe upper leather (55 per cent) and clothing leather (55 per cent) and clothing leather (55 per cent). The bulk of its respect to the first year, although Garnar directors will continue to farnar Booth announced a fed 24,000 loss in the first six although Garnar Booth shareholders day predicted that the full year figure to end-January would be not less than £1.5m before tax.

Hepworth sells 4.9% stake in **Birmid**

Hepworth Ceramic Holdines, the building materials company, yesterday signalled that it had abandoned hopes for a merger with Birmid Qualeast by selling its 4.9 per cent stake in the group. The disposal of the 3.25m shares in the lawnmowers to foundries company immediately fuelled speculation that Hepworth was interested in Trs domestic appliances mediate intention of disposing

> Mr Sinciair Thomson, group chief executive, ran the TI white goods arm before moving to Hepworth last year. He isc bound to have con-sidered purchasing it following TI's decision last month to sell.

Hepworth sold its Birmid stake for about 228p a share, a considerable premium to the purchase price. On the day that Birmid revealed Hepworth's interest in its equity last month, the price stood

At one stage Hepworth acquired another 5 per cent stake but the Takeover Panel ordered this to be sold be-cause the company's broker Hoare Govett had uninten-tionally broken the takeover code by buying the shares from its parent company's market making arm. Mr Alan Emson, Birmid's fiu-ance director, said yesterday he was not surprised at Hep-worth's decision following his company's rejection of a merger. Birmid had never seen the industrial logic of a

union. Shares in Birmid closed at 228p, down 14p. None the less, the company has clearly benefited from the City's close attention during the last month. The shares have risen more than 20 per cent since Hepworth's first approach.

Mr Emson said there was no question of the company standing still. The rise in the share price had put "one or two things into frame which six months ago would have been impossible."

Shares in Hepworth rose 6}p to 220}p.

Lex Service starts promisingly In the annual accounts of

Lex Service, Mr Trevor Chian, chairman and chief executive said the year had opened promisingly for the auto-motive distribution and leas-ing businesses which were all showing profits higher than

last year. Markets for the group's bution companies were showing some small signs of improvement, with suppliers indicating increased order levels both in the US and Europe, the chairman stated. He added that the action taken to reduce losses in those businesses where they occurred and to control costs throughout the electronics group should enable Lex to be profitable in the existing

market conditions. Mr John Laurence, chair-nan of KLP group, Britain's

marketing services company, told the agm that there had been "an upsurge in business" in the current financial New contracts worth £6m

had been won and the first ever contract awarded by the Electricity Council for the services of a sales promotion company had also been

BOARD MEETINGS

YODAY Interime—Armatage Brothers, CALA,	Briket	Mar 24
International City, Logica, Pochina.	Acom Computer	Mar 30
George Scholes, Sirder, Television	Asset Trust	Mar 26
Southwest.	Barker (Charles)	Mar 25
Finale Antier, Ault and Wibors,	Bridon	Mar 25
Assem Dogers, Charles Barker, CPI	Britannia Arrow	Mer 25
Holdings, DRG, Walter Duncan and	CCA Galleries,	Mar 30
Goodricks, Jones and Shipman, Hugh	Church & Co	Mar 19
Mackey Carpots, Morgen Grenfell,	Costes Brothers	Apr 2
Norank Systems, Tod, Tumer and	Comcep	Mar 26
Newell, United Biscuits, Weterford	Home Counties Newspapers	Apt 7
Glass, Waterford Wadgwood, Wat-	Jacobs (John I.)	Mer 26
moughs. Western Dooars Tee.	Jones (A.)	Mer 19
FUTURE DATES	Manders	Mar 30
Interime—	Metal Closutes	Mar 26
Ahre Investment Trust Mar 24	Piessurema	Mer 19
Arbuthnet Govt. Securities Tat Mar 19		Mat 27
Bailey Sen Mar 24	Wolstenholma Rink	Mer 24

DIVIDENDS ANNOUNCED

	Current		ponding	for	iast
	payment	payment	div	year	year
RM Groupin	t †0.9		0.66		1.65
Dunton Groupint	t ‡0.2		0.16		0.4
Expamet		-	3,55	6.75	5.9
Kellock Trust	. †0.1	May 22	0.15	0,1	0.15
Laing Properties		~~	4	8	7
Paterson Zochonis in	1.75	Apr 30	1.65		6.5
Rotunda		May 8		1	
Sintrom	. 1.45	-	1. 4 5	2.2	2.2
Systems Designers	0.35		0.3	0.55	0.45
Dividends shown pend	e per st				
stated. * Equivalent a	fter allov	ring for s	scrip issu	ιe, †(On capital
increased by rights a	und/or a	cquisition	ı İssues,	‡ U:	SM stock.
Unquoted stock.		-			

Nigerian currency losses hit Paterson Zochonis

company with interests in the manufacture of tolletries which includes Cussons Imperial Leather among its brands, reported pre-tax profits down from £20.87m to £16.3m in the six months to November 30 1986. Group turnover dropped from £120.4m to £103.3m.

Mr John Zochonis, chairman, said that the profits were in tine with company expectations and that the fall was the result of a drop in sterling terms of the profits of the company's Nigerian subsidiaries—though in currency terms these had been higher.

He added that the Nigerian economic adjustment pro-gramme which had started in September 1986 had resulted in major movement in the value of the Nigerian currency and the liberalisation of imports. He said that the former had had an adverse effect on the interim figures but that the latter, which had allowed improved availability of production materials and spare parts, should benefit all group manufacturing units there.

Mr Zochonis reported further all the Cussons group com-panies, depressed conditions in some areas where the company's Interparco subsidiary operated; and improvements by Minerva in Greece. He added that Cussons had bought a small soap factory in Thailand in order to establish a direct presence there.

He believed that profits in the second half of the year would be comparable with those of the second half last year. Investment income rose from £4.4m to £5.3m; interest payable dropped from £3.2m to £2.9m; and the share of profits from related companies tumbled from

related companies tunided from £7m to £2.5m.
Tax charges fell from £9.5m to £6.4m and earnings per share worked through at 19.86p, down from £2.58p last time. Minority interests were £16,000 (£302,000) and attributable profits fell from £11.1m to £9.9m The company declared an interim dividend of 1.75p, up

from 1.65p last time. € comment

improvement in the results of ket well prepared for the sharp downturn in the Nigerian contribution: indeed, although the figures were slightly worse than some had forecast, the shares put on 13p to 358p. Perhaps this is not so surprising in a bull market obsessed with seekout out any remaining undervalued stocks, for with only a slight shortfall from last year's £42.3m in sight for the current year, PZ's prospective p/e mul-tiple looks unusually low at a The main reason for the discount to the wider market is. of course, the unreliability of those Nigerian earnings, yet the Cussons operation is per-forming well and investment income provides a solid earn-ings base. PZ is not among the most exciting overseas traders, but given its asset backing of nearly 53 a share in cash and gilts alone, the difference between that figure and the market price does not seem an exorbitant sum to pay for the possibility of continued growth at Cussons and the hope of a stimulus to Nigerian profits in Paterson Zochonis's interims a post devaluation economy.

Laing Properties rises 14%

RARELY CAN an extraordinary general meeting have deserved the title as much as yesterday's gathering of shareholders in Bramner, the property and department The company revalued its property at the end of the year traditionally it does so every store group. Dissident shareholders were attempting to unseat Mr. James Rowland-Jones, a vetthree years. This revealed an increase in value of £20.4m, eran corporate battler, but once again he proved too nimble for his opponents. increase in value of 220.4m, thereby increasing the diluted net assets per share to 395p (343p). Currency fluctuations erased £1.9m from the value of nimble for his opponents.
On Friday, he obtained an injunction in the Court of Sessions in Edinburgh barring the holders of Malaga

the property. Laing has recently adopted a more active approach to trading property. During the year it rationalised its holdings in commercial property in the US. It is using the proceeds of these disposals to diversify into the US residential and retirement

ness parks and is concluding owns sums to the company's 13p to 376p.

Laing Properties, the Watfordbased property investment further commercial developgroup, yesterday unveiled a ment north of Atlanta. In
14 per cent rise in pre-tax revenue profits to £17.7m for with retail developments and is now engaged in three shopping rate movements during the year.

The company revalued its movements during the year and work has begun so this year and a net dividend property at the end of the year of the year and work has begun so this year and a net dividend

to £13.4m (£11.6m) during the year. Taxed profits per share increased to 23.7p (20.7p) and capital surpluses per share to 41.8p (36.9p). The total return per share has grown to 65.5p from a debit of 16.2p. The board proposes to pay a final dividend of 4.5p (4p) producing a total

comment

be completed towards the end ting, the City expects £20m or of the year and work has begun so this year and a net dividend on a mixed scheme at Borehamwood.

Revenue profits after tax rose business is still deemed successful; even if the property market in the sumbelt, its chief territory in the US, is proble-matic and the company's performance in the UK has been less than sparkling. But the Leing share price, luike those of most of the property sector, has little to do with funda-mentals, and everything with bid rumours. In recent weeks the market has judged a bid Also in the US, the company Laing's approach to property to be likely and the shares is approaching the final stages valuation is so idiosyncratic have soured, yesterday less of the development of busi- that most analysis prefer their likely and they fell by

Chloride sells Pakistan arm for £2.57m

Chloride, the battery group, has sold its 55 per cent stake in Chloride Pakistan for £2.57m in cash. It will use the proceeds to reduce borrowings.

The holding was bought by a company owned by a family trust of Mr Nurdin Jivraj, chairman of Rushlake Holding and deputy chairman of London Park Hotels, its UK-quoted sub-Chloride Pakistan reported

pre-tax profits equivalent to £1.4m and contributed £442,000 to the UK company's attributable earnings in the year ended March 31 1986. KENMARE OIL Exploration has concluded negotiations for

Notice of Redemption

TO THE HOLDERS OF

Pennzoil Overseas Finance N.V.

154% Guaranteed Debentures Due April 1, 1990

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of April 1, 1982 among Pennzoil Overseas Finance N.V. (the "Company"), Pennzoil Company, as Gua-

rantor, and Chemical Bank, as Trustee, all of the Company's 15%% Guaranteed Debentures

Due April 1, 1990 will be redeemed on April 1, 1987 (the "Redemption Date") at the price

Payment will be made upon presentation and surrender of the Debentures with all coupons

appertaining thereto maturing after the Redemption Date. Coupons maturing on April 1, 1987

should be detached and surrendered for payment in the usual manner. On and after the

Debentures should be presented and surrendered for payment at the offices of any of the

Chemical Bank

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Zurich, Switzerland

Banque Internationale à Luxembourg S.A. 2 Boulevard Royal Luxembourg

If a Debenture is presented for payment within the United States, payment is made to an

address within the United States by mail or electronic transfer or to an account maintained by the payee within the United States, or the payee is a United States person, the payment will be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding of 20% of the gross proceeds if the paying agent has not received from the payee a properly completed IRS Form W-8 or W-9 or the payee does not otherwise qualify for

an exemption. In addition, under certain circumstances, if a Debenture is presented for payment, or payment is otherwise collected, outside the United States on behalf of the payee by a

broker, nominee, or other agent that is a United States person, a controlled foreign corporation for United States tax purposes, or a foreign person with certain amounts of income effectively

connected with a trade or business within the United States, the payment may be subject to

Zurich Branch

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London Branch

London WC2R

180 Strand

England

CH-8039

of 101% of their principal amount (the "Redemption Price").

Redemption Date, interest on the Debentures will cease to accrue.

told the agm that the present year had started with an encouraging set of results. He the acquisition of Irish Marine Oil on a 2-for-3 share exchange basis, subject to shareholders' approval at an EGM. Irish Marine is currently active on had every confidence that this would continue and said prospects pointed to a record 11 exploration licences in the All winter units had begun Republic of Ireland.

Hanson Trust to sell Finlays for £17m

BY USA WOOD

Hanson Trust announced yesterday it was selling its Finlays public company.

The chain of 281 shops spread annual turnover of about £80m throughout the country was a year. Since being in Hanson's acquired by Hanson in its ownership the outlets have not hostile take-over of Imperial made a trading profit. In the which have been sold include

the sale of its Finlays business for some time with Mr Arundbhai Patel, of A. J. Patel the newly formed Finlays com-pany. Recently a management buyout offered an alternative bid for the business.

Chemical Bank

190 Avenue Charles de Gaulle

6000 Frankfurt am Main 17

Pennzoil Overseas Finance N.V. By: Chemical Bank, Trustee

92523 Neuilly-sur-Seine

Paris Branch

Paris, France

Chemical Bank

Frankfurt Branch

Ulmenstrasse 30

Hanson Trust said it normally welcomed management buyouts but added: "It would have been confectionery, tobacco and but added: "It would have been newsagents business for a cash wrong to have turned our back consideration of about £16.9m on Mr Patel with whom we had to Finlays, a newly formed virtually reached agreement." The chain of shops have an

Group last April. Since then 11 months to September 1985 other elements of the business they made a trading loss of film. which have been sold include

Staff within the business had and the Anchor Hotels and over job security should the Happy Eater roadside restaurants.

Hanson has been negotiating intended to continue and de-

velop the business and made specific assurances concerning the future employment of the & Co, chartered accountants. 1,800 branch staff. All head Mr Patel is the chairman of office and management staff the newly formed Finlays comhave been informed by letter pany. Recently a management that they will be seen separately by the new management. Last year Hanson sold 46 of the Finlays outlets to CTN UK,

which now trades as CTN Re-tail. Some 16 outlets which trade as Corner's grocery shops have not been included in the current sale but Hanson said a number of parties were in-terested in buying them.

Cambridge scrip Cambridge Instruments, the

scientific equipment manufacturer which plans to join the stock market later this month, has obtained approval from shareholders for a one-for-one scrip issue and for an increase in its authorised share capital to accommodate the new shares to be offered under the flota-tion. The extraordinary general meeting also approved preferen-tial allocations to small share-holders of 200 shares.

KLP upsurge

largest sales promotion and

QUEENS Most Houses has agreed to buy Prince Rupert Hotel which runs the hotel of the same name in Shrewsbury, Salop. The consideration is £2.86m less book value of the net current liabilities of the company at completion date. The deal will be settled by a combination of cash and shares issued to the vendor.

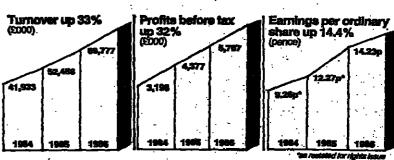
Date Corres Total Total

Building profits up 25% Industrial profits up 26% Security profits up 48%

1986 was the sixth successive year of growth for Expannet International, with overall profits, at £5.8M, up 32%. Turnover increased by 33% to £70M.

The Group's acquisition strategy continued through the year, with 45% of total acquisition expenditure directed towards the security market. This growing sector now contributes 32% of Group profits.

1987 has started well and further profit growth is expected. A final dividend of 4.05p is being recommended, making a total for the year of 6.75p, an increase of 14.4%.



EXPAMET INTERNATIONAL PLC BUILDING INDUSTRIAL AND SECURITY PRODUCTS

Copies of the 1886 Armuel Report & Accounts will be available from the Secretary on the 2nd April Expernet International PLC, Otton House, 83-88 Unbridge Road, Eating W5 5TA.

reporting to the IRS (but not backup withholding).

وي الأصل

Expanding Expamet nears £6m and a film fall at Expanded Metal that hald the core performance. As some of this represented costs associated

The profits by division broke the distinct impression that condown as to building £1.86m tinuing businesses were flat. (£1.48m), industrial £2.1m However, it was IBC, which (£1.66m) and security £1.82m lived up to its lossmaking The directors said that in

expanding supplier of com-ponents, products and services to the industrial building and security markets, picked up after a static opening half year and for 1986 as a whole increased its profits by 32 per cent at the pre-tax level. Furthermore, the group made good start to 1987 showing strong order books in many of a total dividend of 6.75p (5.8p) net on the enlarged capital via a final of 4.05p. The dividend is as forecast last June at the

its companies. The directors said yesterday that action taken in the original businesses was beginning to show results and added that 1987 would also beneal from a full year's contribution of the 1986 acquisitions.

fidence. For the 1986 year turnover pushed ahead from £52.46m to £69.78m and with all sectors

showing increases pre-tax profits rose to £5.77m, an improvement of £1.39m over the reported figures of the previous

1986 acquisitious. Tax for 1986 accounted for They looked to the future \$2.03m (£1.52m) and extrawith a "great deal" of con-ordinary items for £107,000 (nii). Earnings worked through 1.96p higher at 14.23p per 25p

comment

Expanet has come in just ahead of expectations thanks to fi.4m almost 14 following the from acquisitions—which leaves run up to these results.

view of the number and scale Metal that held the core performance and improved represented costs associated with a management consultancy encouraging.

Shareholders are to receive techniques of \$750.000 and \$750.0000 and \$750.0000 and \$750.0000 and \$750.0000 and \$750.0000 and \$750.0000 and will at least see a decent multiple of the fee being earned. Not debt at the year-end was £6.4m, up from £2.8m in Decemtime of the acquisition of Metal ber 1985. Expanet's board is unlikely to feel comfortable with a level of borrowings any higher than this—suggesting that 1987 will in the main be Industries and the £9.2m rights issue to fund the purchase. a year of consolidation in which purchases will be kept within the limits set by cash generation, about £3m last year. For the year pre-tax profits should reach £8m which puts the shares at 231p on a prospective p/e of almost 14 following the strong

Coloroll to dispose of its packaging division

Celeroli, wallpaper and home on the Stock Exchange in 1955.

fashion group, is to sell its Two weeks ago it announced packaging division. the acquisition of Wallco, a The group says the division. Florida-based manufacturer and which made a pre-tax profit of distributor of wallcoverings, for \$300,000 on a turnover of \$14.5m (£9.35m). £1.92m in the six months to September 1986, does not fit in

acquisitions since its flotation annum.

ent strategy. INOCO HAS reached agreement Net assets of the division are with associate Monaco Group

Net assets ut the valued at film.

Coloroll said that it was faced with a choice between investing gross value of some film.

Acquisition to be financed as to some film new Inoco packaging business or concentrating on its wallpaper and home fashion businesses.

The packaging division accounts for less than 5 per cent of group's sales.

Colornil has made a concentration to be financed as to firm via issue of 15m new Inoco fordinaries and balance by mortgage finance. Final consideration to be determined on basis of independent valuation.

Purchase will increase increase. ent of group's sales. Purchase will increase Inoco's Coloroll has made a series of net income by some £500,000 per

Black Horse moves into Wiltshire

Black Horse Agencies, the estate agency subsidiary of Lloyds Bank, has expanded into Wiltshire by acquiring Tilley & Nosde, a firm with nine offices. This brings BHA's total to 338 BHA also reported that it

12

1.2

made a pre-tax profit of \$5m last year, representing a return of 25 per cent on capital invested

House sales increased 54 per cent to 38,417, approaching a value of £2bn. Turnover increased by 60 per cent to £47m. Mr Peter Constable, chief executive, said the company had a short-term objective of 500 offices, and was expanding the number with financial serdepartments

Systems Designers profit cut by contract delays

Systems Designers, the UK balance resources with the cur- a final dividend of 0.35p (0.3p), software producer in which British Aerospace holds a 23 per cent stake, produced pre-tax profits down 38.7 per cent to \$2.68m, in line with the warn-ing it issued in Orthon. ing it issued in October.

The second secon

Turnover for the year to December 31, 1986, rose from £55m to £61.5m. The company said Ministry of Defence delays in awarding contracts were a main reason for the sharp reduction of its forecast. . Other problems included the

record level of investment in new products and markets, as well as slower initial sales of the company's new Ada pro-Earlier this month BAe raised

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APPENDENT

91 - C :-

its 14.9 per cent stake in SU to 23 per cent. It has ruled out a full bid but said that it might take its stake up to 29.9 per Development expenditure will

be reduced in 1987, said Mr Philip Swinstead, chairman. Action had been taken to

Retunda, manufacturer of

Turnover for 1986 was little changed at £11.33m (£11.15m).

Pre-tax profits included interest

income of £17,000, against a previous charge of £42,000.

Tax took £366,000 (£2,000)

and left earnings per 10p share at 9.6p (9.4p). Shareholders are

to receive the promised Ip divi-

balance sheet was strengthened

with an increase in cash and short-term deposits of £843,000,

including £560,000 raised from

had nothing specific to report,

During the year Rotunda's

Rotunda

ahead of

forecast

USM flotation.

8.9 per cent.

rent level of demand in the making a 0.55p (0.45p) total. Prospects for 1987 were much

better than the previous year, he said, with good market demand and benefits accruing from investment programmes.
SD purchased two software products for \$4.6m (£2.9m) from SEI Corporation on December 31, 1986. The figures include contribution from this

Taxation took (£2.77m). An extraordinary debit of £211,000 was provision for closure costs of a branch

Earnings per share stood at 2.45p, down from the 1985 figure of 4p which was adjusted to reflect the issue of 1.125m new ordinary shares in March 1986 to satisfy \$2m of the deferred consideration for

It is an old story. High-technology company has ambitious plans, gears up for growth and then falls at on its face when the growth fails to appear Systems Designers had already given the market advance warn ing of its bad news so the shares were unchanged yesterday at 98p. But the market is not so much supporting the Systems management — atthough cut-backs in development expendi-ture can probably restore some respectability to the bottom line this year—but in the BAe stake which everyone expects to go

up to the maximum 29 per cent level. The real growth prospects — like ADA — remain s couple of years away. That means that the market will be focussing on on BAe's strategy rather than the prospective Warrington Associates Inc. p/e which is 25 assuming pre-Directors are recommending tax profits of £7m.

mined to continue to serve and prosper."
Growth in consumer and speciality products had con-tinued, with sales up by 60 per cent over the past four years and profits by 89 per cent. Internationalisation of the group's business had also continued, and sales growth in the US last year, including acquisitions, had been 24 per cent, compared with a group average of 7 per cent.

ICI chief

gets 26%

£393,000

By Tony Jackson

pay boost to

SIR JOHN Harvey-Jones, who

retires as chairman of ICI at the end of this month, had a

26 per cent pay increase last year to £393,068. Net profits for the group rose by 9 per

In the chairman's statement

in the 1986 annual report, published yesterday, Sir John said that the group's commodity, businesses, fertiliser excepted, made considerable

progress towards acceptable evels of profitability last

He said that the perform-ance of these businesses rein-forced the belief that they could be "a robust group

of profit-earning businesses, responsive to changing circumstances." Despite a sharp fall in profits from agriculture, Sir John said, "this is an area in which we are determined to extract the continuous contract.

mined to continue to serve

Despite spending of £578m on acquisitions last year, the acquisitions tast year, balance sheet gearing was only 26 per cent. This left "considerable financial flexi-bility with which to pursue our strategic objectives," Sir John said.

Kellock Trust jumps Kellock Trust lifted pre-tax profits by more than 40 per cent to £1.1m (£772,000) in the year to December 31 1986 thanks to continued growth in the company's mainstream business of factoring and in-voice discounting. Turnover moved up from \$4.6m to

Mr John Beckwith, who became chairman of Kellock when London and Edinburgh Trust last autumn acquired of the company, said Kellock's strategy was to develop into a more broadlydevelop into a more oroady-based financial services group. Tax charges increased from £261,872 to £367,457 and earn-ings per share rose from a restated 0.42p to 0.53p. The proposed final dividend is 0.1p (0.15p).

Williams Holdings

Williams Holdings now has 47,047,637 ordinary shares in issue after the creation of 3,284,217 shares through the conversion of its 5 per cent deemable preference shares. Dealings in the new shares began yesterday.

before tax \$4.8m

(\$538,318 income) for six months to December 31 1986

The directors were confident that the company would return to profitable trading during the current year.

CAMELLIA INVESTMENTS is paying a final dividend of 8p making 14p net for 1986 (12p).

Net turnover \$2.34m (£1.96m) and profit £1.19m (£894,000) before tax £273,000 (£204,000).

Extraordinary net credit being sale of subsidiary Jatel to associate £2.23m (£1.13m). Earnings 34p (25.33p).

JAMES FISHER AND SONS (shipowners, ship and insur-ance brokers). Final dividend

0.35p, making 2p (3.3p) for 1986. Sales £32.36m (£39.64m) and pre-tax profits £2.6m (£3.04m). Earnings 5.75p (6.71p) per 25p share.

BROAD Street Group (financial

and corporate public relations):
Final dividend for year to
October 31 1986 1.1p. Turnover
£7m (£4m) and pre-tax profits
£990,000 (£226,000). Tax
£401,000 (£134,000), giving
earnings of 2.45n (0.49n).

Broad Street Group, formerly

Stanelco, to February 28 1985.

RANKS HOVIS McDougall now

intends to await a decision on

clearance from the Office of

clearance from the United to Shareholders of Avana Group. In a letter to Avana shareholders on March 4, RHM said

it would be writing to Avana shareholders on Friday March

42.85p 12.52p

earnings of 2.45p (0.42p). parative figures refer to Broad Street Associates to October 31 1985 and the holding company,

Writedowns help to push Charterhall into the red

specialist adhesive tapes, re-turned profits of £1.01m pre-tax for 1986. That was £395,000 Charterhall, the oil and gas turnover sharply lower at £5m group in which Mr Russell (£11.1m).

Goward's Westmex acquired a The loss per share was 6.55p controlling stake last summer, (earnings of 0.54p) and no divihigher than the previous year's figures and £131,000 ahead of the forecast made last October at the time of the company's controlling stake last summer, yesterday announced a pre-tax loss of £5.66m for 1986—mainly due to a combination of write-downs of exploration assets and operating losses.

Mr Goward, who until February 1986 was the chief executive consisted of a 14.9 per cent of IEL, the Brierley group's stake in Lokers, the Manchester motor and agricultural machinery commany. With some benefit from raw material prices profit margins improved from 5.5 per cent to

of IEL, the Brierley group's stake in Australian subsidiary, said that motor Charterhall had now been machine "slimmed down as much as pos-sible" and that he was keen to see "operating businesses added to the oil and gas core.

"What we need are some fully-owned companies, we have done a lot this year so far making acquisitions in the private sector and taking stakes in 11 public companies," he added.

"We are extremely ambitious and our aim is to own 100 per cent of every company we invest in," said Mr Goward.

the flotation, and after repaying £277,750 of loans and preference The directors said they were seeking suitable acquisitions but

Glaxo to seek Tokyo listing EMAB: expands

EMAP, the publishing group, has bought East Yerkshire Newspapers from United Pro-vincial Newspapers for an undisclosed sum. EMAP will retain the Driffield

operation which publishes the Driffield Times and two local editions as well as the free East Vorkshire Weekly News. It has sold however, the Goole Times and the free Goole Trader to competing Goole Chronicle wice agent will be the Toyo in the world after the US, and

DUNTON GROUP (property developer, brick maker, civil engineer): Interim dividend

engineer): Interim dividend 0.2p (0.16p) for half year ended November 30 1986. Turnsver £1.07m (£1.28m) and pre-tax profit £180,000 (£172,000). Tax £54,000 (£24,000). Earnings 0.65p (0.99p). Company's shares are traded on USM.

Charterhall's pre-tax loss, Williams as chairman of which compared with a profit of Charterhall and his replacement £1.76m in 1985, was posted on by Mr Goward.

COMPANY NEWS IN BRIEF

stock exchange by the end of its Sanwa Bank.

Trust & Banking Co, and the the largest for antibiotics.

SINTROM (manufacturer of data storage and computer peripheral equipment): Final dividend 1.45p, making 2.2p (2.2p) for 1986. Sales £16.08m (£14.83m) and pre-tax profit fill 1988. A full list of issues will 1988. A full list of issu

BBA GROUP subsidiary Scandura has acquired the assets of Cigtap Corporation in the US and is transferring them to its factory in St Releas.

SERVICES, residential estate agent of Prudential Corporation,

are traded on USM.

agent of Frudential Corporation, is acquiring Wrethams, north is acquiring Wrethams, north west London agency, and PROCESS SYSTEMS (elector this week's issue of local authority bonds is 9f per cent, based in Wembley Park, Mid-Revenue \$4.6m (\$5.7m) and

PROPERTY

Glam has confirmed that it is dividend paying banks will be to seek a listing on the Tokyo Dai-Ichi Kangyo Bank and

machinery company.

After negotiations it became

clear that Lookers would oppose a bid from Charterhall

so the stake was sold last

month for £2.9m. A week later

Charterhall bought a 12.4 per

pany, Trilion, plus an option on a further 4.7 per cent for £4.58m. According to Mr Goward, Trillion is "very receptive to our ideas."

Also announced yesterday was

the retirement of Mr Derek

current financial year in June. A Japanese prospectus is to This will broadly coincide with be published, probably in early the listing Glazo is seeking in June. The listing will mean that New York.

Glazo has to publish a balance Glaxo said the listing, which sheet with its half year results.

months to December 31, 1986.
Turnover increased 68 per cent to £7.08m (£4.22m), and an interim dividend of 1.5p net is being paid—last year and initial payment of 0.5p was made. Mr Nick Savage, chairman, said a good start had been made to the seasonally better second half. Stated earnings per share improved from 0.1p to 3.7p in

Montagu's Western Motor stake

ment buy-in which it has short-term and expects to see it Mr Norman Parker will con-

Montagu is thelargest partner in a concert party which yester-day announced the purchase of 53.6 per cent of Western ordinary shares and 37.5 per cent of its non-voting A ordinary

A full order launched as a result, and supported by the Western board, values the company at £5.5m. Montagu's 35.2 per cent stake, bought for £1.6m, will fall to 29.4 per cent under a proposed capital reconstruction.

They plan to acquire addishares and compensate ordinary tional UK motor distributors.

It proposes to enfranchise A shares and compensate ordinary bolders for the resulting dilu-

arranged at the car-delivery con-diluted as Western issues shares tinue to manage Autocar & for future acquisitions, Mr Transporters, Western's only Neil Goldie-Scot of Montagu operating subsidiary. It delivers said yesterday.

struction equipment interests by increasing its manufactur-ing space and strengthening

However, the company is clearly keen to also move into the consumer side of the build-

ing industry. It recently looked

at the possibility of purchasing

two companies, one manufac

turing hand tools, but nothing

about 20 per cent and would be halved by the middle of this year, excluding the impact of

Mr Shute said gearing was

The company has so far spent

ducing between 16 and 20 units

export distribution.

Western will be managed by
Mr Richard Palmer and Mr
Bruce McNeill, partners in the
buy-in and former joint managing directors of Giltrap Holdings the New Zesland-linked The concert party, includes Strategic Capital Corporation and funds managed by ongs, the New Zealand-linked loan notes for each ordinary concern which last month share and 230p for A shares. Gates, London-based Ford on Monday.

Samuel Montagu, the hold such equity stakes in Mr Colin Giltrap is not involved tion by issuing 174 new shares merchant bank, is to hold an industrial companies and within the latest deal, although for every 1,000 held and to out precedent at Montagu itself. Montagu also advised him in issue £3m in convertible loan ment by a share which is the fact of a manage.

The bank views the holding as the Gates bid.

tralian subsidiary, Dominguez Barry Samuel Montagu. Most of the shares were sold to the concert party by directors and Estates and Agency Hold-ings, which owned 29.9 per cent. Western yesterday reported

pre-tax profits for 1986 of £701,000 (£229,000) after an exceptional item of £250,000 arising from an out-of-court settlement of a property dis-pute. Turnover rose to £10.5m (£9.1m). Earnings per share nearly trebled to 24.9p (8.5p). The company continues to pay no dividend.

BM doubles to £2m midway

THE RAPIDLY expanding BM manufactures truck mounted sidiaries of public companies which would add to BM's conmanufactures a range of machinery mainly for the construction of the construc tion industry, more than doubled its interim pre-tax profits from £1.03m to £2.12m while indicating that it is keen to move into DIY-type consumer products.

Turnover was up 80 per cent to £23.39m (£16.30m) for the six months to December 31. Mr Roger Shute, chairman and chief executive, said the group remained confident that its aim remained consident that its and of achieving a 10 per cent pre-tax return on sales, at present a little more than 7 per cent, would be achieved within the next 2½ years.

BM, in which C. H. Beazer reduced its stake last year from 50 per cent to 25.8 per cent, has purchased a number of companies during the past 10

They included Benford Concrete Machinery, Hymac excavators, Haulamatic dump trucks and Ritemixer which

bought from NEI Thompson, made no contribution to the interim figures. Hymac and Ritemixer only came on stream in January following the relocation of plant from NEI to BM factories and BM is looking for more factory space before it resumes production of the Haulamatic rigid and articulated dump trucks.

Benford made a contribution of £800,000 to pre-tax profits. Mr Shute said that when this was taken into account BM's organic growth for the sixmonth period was about 35 per

The group obtains 85 per cent of sales from construction machinery, including distribution of Hitachi excavators and the rest from agricultural equipment and paper and tex-tile conversion machinery.

£600,000 rationalising production facilities following the purchase of the NEI businesses. Ritemixer is manufacturing nine units a week, higher than in its history. Hymac is pro-

came of it.

any acquisitions.

a month. Mr Shute said the company Earnings per share increased intended to make two further 53 per cent to 5.56p (3.64p) purchases within the next three with an interim dividend 36 months. These would be sub- per cent higher at 0.9p (0.66p).

Parkfield in £3m distribution expansion

Parkfield, the acquisitiontransau, the acquisitor-hungry engineering and distri-bution group, is buying Teamdale Distribution, the Amersham-based distributor of electrical goods, for £2.97m.

The acquisition is the third this year for USM quoted Parkfield and follows nine purchases

placing 1.25m shares, or 3.8 per and lighting products to whole-

cent of the enlarged capital, at salers. Teamdale's business is 238p each. Shares in Parkfield mainly supplying white electric closed up 7p at 253p.

Teamdale reported a trading loss of £115,000 on a turnover of £25.4m in the year to March

mainly supplying white electri-cal goods to retailers. A month ago Parkfield

bought Arthur C. Prall, Stoke based heating products distributor, for £745,000. In January, It will complement Parkfield's it paid £2.15m for a photo-Foster Electrical Supplies divi- graphic distribution business The deal will be financed by sion which distributes heating from Spectrum, the computer

Yule Catto profits from Barrow sale

Yule Catto said yesterday Barrow Hepburn had pre-duced a "considerable pre-fit" which more than paid for the cost of its unsuccessful bid for the chemicals and

engineering group.
At yesterday's market price of 75p, Yule Catto was showing a profit of about £250,000 on the disposal of its 1.59m Barrow shares.

Marley bid

Marley declared its agreed offer for Nottingham Brick unconditional after additional accentances raised its interest to 78.29 per cent of ordinary shares. The option of accept-ing shares or cash in a different ratio than the two shares-plus-100p offer has now been closed.

The preference share offer,

which has attracted only 29.74 per cent acceptances was extended until March 30 and is not yet unconditional.

Guinness Peat

Guinness Mahon Development Capital has taken a large ment Capital has taken a large stake in a company formed to buy the business and trading assets of Sleeveprint, subsi-diary of the Garrod and Lofthouse printing group which went into receivership last year, Sleeveprint produces record sleeves and compact disc packaging GMDC is part

"1986 has been Hawley's most successful year and has seen the simplification of Hawley's areas of operations and group structure".

Michael A. Ashcroft, Chairman and President

Hawley Group

Net earnings

from operations

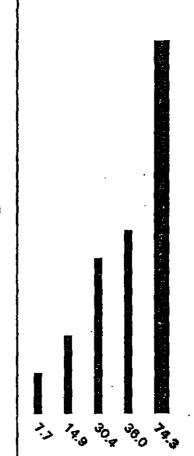
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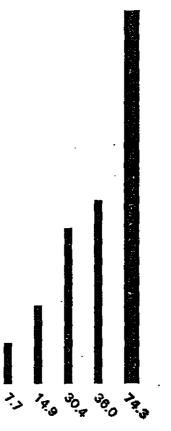


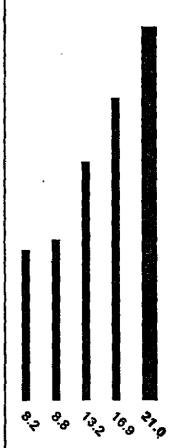
Net earnings per common shere 82 83 84 85 **86**



Building Services Hospital Housekeeping and Food Services

Tanmada, Prospect House





TSONS SA The current issue

PRUDENTIAL

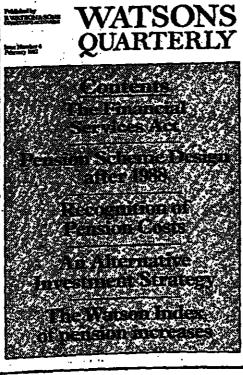
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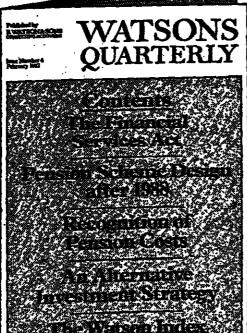
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WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		Morday March 16 1987					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Dhy, Yield	1986/87 High	1986/87 Low	Year ago	
Instralia (94)	11268	+1.0	105.47	110.02	3.03	113.22	70.18	83.77	
ustria (16)	94.34	+6.1	88.30	90.34	1.71	201.62	70.60	80.03	
Relgium (47)		+0.5	108.48	109.62	4.01	115.91	53.75	72,44	
anada (132)		+0.0	119.58	121.75	2.28	127.79	86.58	94,90	
Jennark (39)		-0.1	105.63	106.10	233	124.10	87.87	101.55	
rance (121)		+0.3	106.81	109.51	2 26	115.47	57.72	74.5B	
[4]; \44.	87.33	+0.4	81.74	83.43	2.15	100.33	74.48	87.15	
Vest Germany (99) long Kong (45) reland (14)	1 105.38	-1.9	98.64	105.55	215	114.71	62.87	62.87	
long Kong (42)	12813	+0.4	119.93	124.38	3.28	126.73	62.33	85.35	
21300 (14)	99.14	+34	92.79	96.66	1.54	10830	46.07	75.14	
aly (76)		+0.3	75.17	31816	0.54	123.24	49.46	65.32	
apan (458)		-0.2	115.35 119.70	118.10 124.22	2.98	135.38	66.67	65.32 72.76	
lalaysia (35)		+11	120.90	153.73	133	135.35	43.00	54.67	
lexico (14)	109.00	-0.2	102.2	103.28	4.25	109.22	74.14	83.41	
etherlands (38)	93.08	+1.9	87.12	87.56	3.04	100.59	4737	56.98	
lew Zealand (27)			223.60	11441	200	121.37	90.02	102.39	
lorway (2 <u>5)</u>	121.37	+0.3 -0.2	108.37	114.24	327	120.40	55.94	57.66	
ingapore (27) outh Africa (61). pain (43)	115.79		126.13	104.30	3.80	134.76	69.06	107.94	
outh Africa (61)	134.76	+0.1	106.12	110.63	3.44	121.31	45.00	72.64	
pain (43)	113.38	+2.2 +1.4	102.45	104.15	1 22	109.46	63.35	79.96	
weden (33)	109.46	+1.4	89.97	91.62	2.26 1.83	104.06	69.00	78.87	
witzerland (52)	%.12		119.21	119.21	1 16	127.42	75.39	95.05	
nited Kingdom (343) SA (581)	127.37	£0+ a.0-	11122	11887	351 301	120,11	85.46	98.54	
SA (581)	118.87	-0.5		1100/					
tirone (946)	110.81	+0.7	103,71	105.02	291	110,97	69.36	86.18	
urope (946) acific Basin (686)	122,14	+0.3	114.32	117.27	0.71	122.14	51.10	65.84	
uro-Pacific (1632)	J 117.63 I	+0.4	110.09	112.36	1.54 2.97	117.63	58.45	73.85	
orth America (713)		-0.6	111,70	119.04	2.97	120,47	85.61	98.35	
larid Ex. US (1839)] 118.19 !	+0.4	110.62	112.67	1.60	118.19	60.02	74.95	
forld Ex. UK (2077)	117.60	+0.0	110.07	114.73	2.01	117.62	69.65	83.21	
rarid Ex. Sc. At. (2359)	218.36	+0.0	220.78	175.19	214	118.36	69.95	84.07	
forld Ex. Japan (1962)		-0.1	108.75	113.64	2.96	116.72	79.87	93.25	
	118.47	+0.0	110.88	11512	215	118.47	70.14	84.21	

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EUROPEAN OPTIONS EXCHANGE

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FT CROSSWORD PUZZLE No. 6,280 YIXEN

- ACROSS

 1 Stake a pound by mail (6)
 4 A stable guy no longer (6)
 8 Accompany about a hundred to gain entrance (7)
 9 Makes men of learning squabble, the dog! (7)
 11 Rubbish in the main at the poultry-farm? (4, 6)
 12 Not at all well done, but that's exceptional (4)

 2 Bound by union leader (7)
 3 He plans for a constructive follow-up (9)
 5 Look after a holy man's flight (5)
 6 Subsequently a number may be gut sideways (7)
 7 Mention credentials (9)
 12 The entitlement to act (5-4)
 13 A co-member's devious resort (9)
- that's exceptional (4)

 13 Rome's new code (5)

 14 "Here and there a lusty trout, and here and there a-" Tennyson (The Brook)

- 23 Holding back the design is clever—brings understanding (7)
- 24 A name is wrongly given. Such forgetfulness! (7) 25 A figure one's duplicated (6) 26 Puff at this point, but hold on
- DOWN 1 The City's into convenience food and scrap (5)

	%	%	` %
ABN Bank	1012	Cititark NA	Most Credit Corp. Ltd 1092
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Alfied Irish Bank	1012	Comm. Bk. N. East 1012	Northern Back Ltd 109 ₂
American Eqs. Bk	10 ¹ 2	Consolidated Cred 10%	† Norwick Sea, Trust 109 ₂
Arro Bank	789 ²	Co-operative Bank *2012	PK Finans. Intl (UK) 1112
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Sanco de Bilhao	1042	Exeter Trust Ltd	Royal Trust Bank 1012
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Bask Leomi (UK)	1012	First Nat. Fin. Corp 1112	Trustee Savings Bok 101 ₂
Bank Credit & Cores	1012	First Nat. Sec. Ltd 1112	UDT Martgage Exp 112.25
Bank of Cypres	1012	Robert Fleming & Co 1012	United Ek of Kowait 1012
Bank of Ireland	1012	Robert Fraser & Ptrs 1112	United Mizrahi Bank 102
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Bank of Scotland	1012	Geinness Matton 104 ₂	Whiteway Lakdaw 11
Banque Belge Lid	101 ₂	HFC Trust & Savings 101 ₂	Yorkshire Bank
Barclays Bask	10%	Hambro Bank	† As from close of business March
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Beneficial Trest Ltd	12	Hill Sameel \$10%	Houses Committee. "7-day deposits 6.03%. 1-month 6.38%.
Berliner Bank AG ,	101 ₂	C. Hoare & Co 10½	Top Tier—22,500+ at 3 months
Brit Sk of Mid East	1072	Hongkong & Shangh' 101 ₂	notice 10.03%. At call when
Brown Shipley	1012	Lioyets Bank	£10,000+ remains deposited,
C1. Bank Nederland	1022	Mase Westpac Ltd 1002	‡ Call deposits £1,000 and over
Careda Permasent	1012	Meghraj & Sons Ltd 1092	64% grass. ¶ Mortgage base rate. § Demand deposit 6.02%.
Cayzer Ltd	102	Midfaed Bank,	Morigage 124%
Charterhouse Bank	1012	Morgan Grentell 10%	
			
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BASE LENDING RATES

INVESTOR'S GUIDE TO THE STOCK MARKET

by Gordon Cummings

The 'Big Bang' has brought changes that affect the strategy and market operations of private investors, both old hands and newcomers. Computerised investment trading and advice accentuate the need for D-I-Y research, knowledge, and share dealing to avoid becoming an impersonal cog in robo controlled operations.

Completely revised and updated in the light of the 'Big Bang', this edition is the essential handbook for those who manage their personal capital and savings in the stock market. The author, Gordon Cummings, a chartered accountant, draws on over 50 years' experience as an active investor, financial commentator and investment advisor to explain the workings of the stock market, and how to profit from it the D-I-Y way, as he has done successfully.

For the new or potential investor, it provides an invaluable introduction to the practices and procedures of the market; how to set up and manage an investment portfolio and how to make the best use of your capital,

- Contents
 1 No mystique about the Stock Exchange
 2 Stocks and shares
 3 The dealing business
 4 Suying and selling
 5 Paper work is important
 6 Gitts with an edge
 7 Foreigners have a word for it
 8 Foreigners have a word for

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 8 Figures matter
 9 Debenture and loan stock priorities
 10 Getting the preference
 11 Sharing the equity
 12 The changing market
 13 Portfolio creation and management
 14 Stock Exchange newcomers
 15 Other issues
 16 Takeovers and mergers
 17 Some specialised markets
 18 Natural resources a basic investme
 19 Golno foreign pents
- 19 Going foreign pents
 20 Investment and unit trusts
 21 Good watch prevents misfortune
 22 Those drafted toxes
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15 Bill made certain demands
would be honoured (9)
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16 The Tories getting into a morass can cause panic (8)

18 Feel irritated when hothead enters restaurant (5)

20 Mark some particular disc, a record always enjoyed (4)

21 The company note what's left to be invested in extra land (4, 6)

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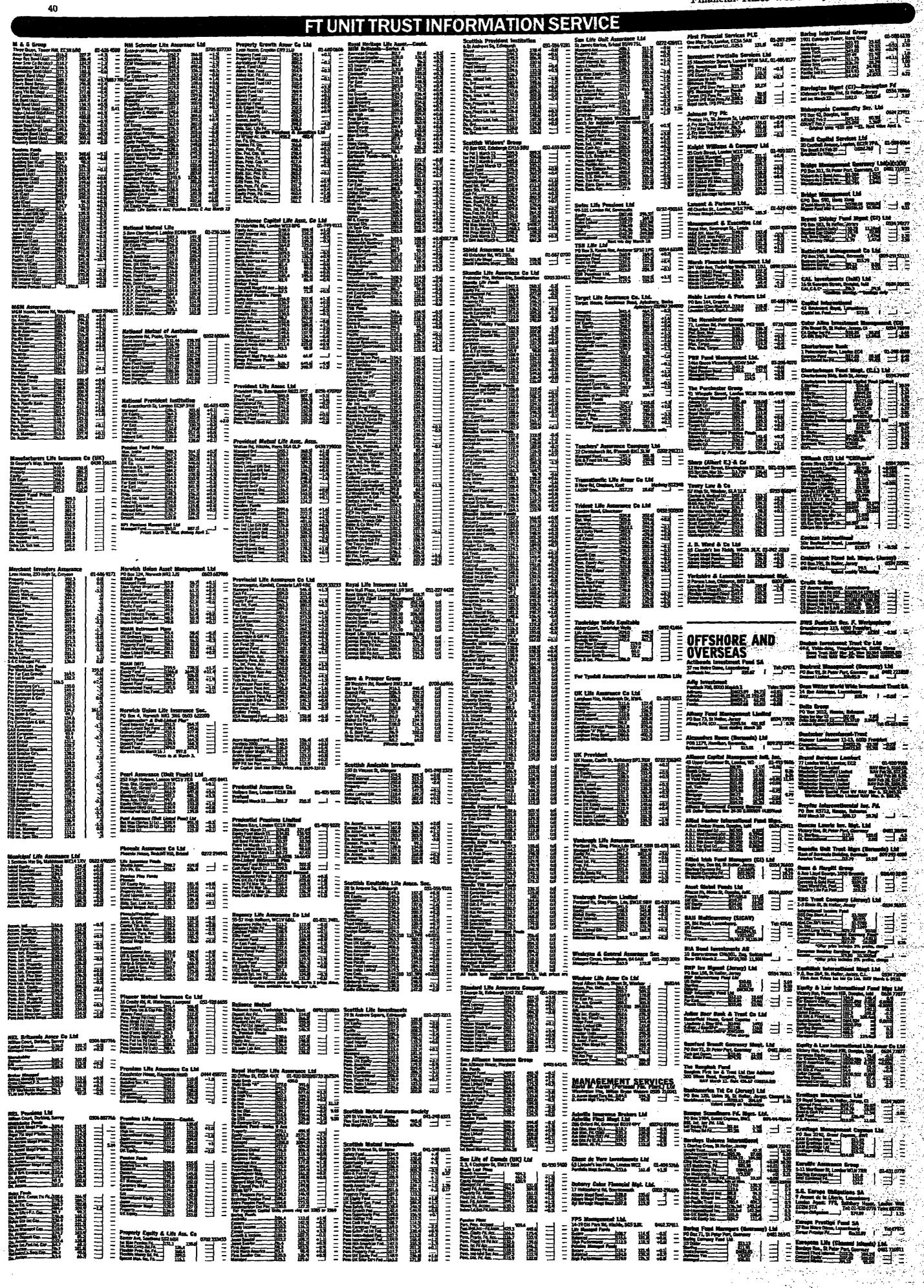
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WORLD " 11 " lbs, cents/fb

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CHICAGO

is growing pressure on prices

The rand is strengthening, rail freight rates for coal move-

ments to Richards Bay are going

up from April 1 and labour

costs are set to rise. Earlier this month Mr Graham Thomp-

son, managing director of Trans Natal, the country's second largest coal producer, said at least one company was export-

In Australia, two collieries have closed this year because of low prices. Accountants Coopers and Lybrand have recently reported that the New South Wales coal industry made

a combined net loss of A\$69m (US\$47) last year, with the debt-to-equity ratio rising 50 per cent to 0.94.

Canada's largest coal mine. Quintette in British Columbia

is also in financial difficulties

The operators are trying to re-

Tropical

code urged

EUROPE, the largest importer

of tropical timber after Japan, should adopt a code of conduct

and licensing system to ensure that all future imports come from ecologically sound, sus-tainably managed concessions, Friends of the Earth Inter-

national urges in its latest

study.

The pressure group's report

drawn up in conjunction with the World Wildlife Fund, also

wants to see a special tropical forest fund set up to enable widescale regeneration of forest

areas damaged by logging. For every 10 trees cut down, only one is replanted, and "Euro-

pean aid policies do little to help redress this imbalance," it

Friends of the Earth says the

report has tried to be positive

in spite of its familiar catalogue

of woe -- 5m hectares of tropi-

cal forest lost annually because

of commercial logging, and whole forests in Malaysia, the

Philippines, the Ivory Coast and

Gabon listed as "critical" by the World Bank.

The group does not want to ban the trade, but to guide it towards proper management of a rewnewable resource, with

resulting benefits for all. More than 90 per cent of the world's tropical timber forest is outside conservation areas, and the trade brings jobs for thousands

and valuable export earnings for the countries involved. Huge areas could be saved if

they were found to have an

economic use. Working through

the trade-little tried until now

*A Hard Wood Story— Europe's Involvement in the Tropical Timber Trade, Fran-

cois Nectoux and Nigel Dudley, £5, from FoE, 337 City Road, London EC1.

RENISON GOLDFIELDS Cop-

solidated's Mount Lyell copper mine in Tasmania will stay open

for an extra five years following

a new aid package from the

state government, reports Reuter from Sydney.

to close in 1989 but will now stay open until deeper levels are played out, probably in

The Australian dollar's fall

The mine had been scheduled

forests, FoE argues.

Tasmanian

copper mine

reprieved

timber

ing at a loss.

Colombia to sell coal mine stake

THE LOW price of coal on the world market has forced Car-bocol, the Colombian state coal company, to put up for sale 49 per cent of its share in the El Cerrejon steam coal mine, the that remains on the capital cost biggest export mine in the of \$3.4bn.

of the US, is already in talks with Japan Coal Development. It says that another possible buyer is the coal division of Total, the French oil group. Coal from the mine, which years ago. was originally expected to fetch \$89 a tonne, and prices were projected to reach \$200 a tonne by the turn of the steam oped -

But a continuing oversupply of steam coal has played havoc with prices, and in the first few months of this year some sales were being made at below \$28

A FURTHER call for concerted

international action to unwind

price support mechanisms in agriculture came yesterday

from Mr Michael Jopling, UK

Agriculture Minister.
Unless the world was pre-

pared to confront such action "head-on" there was a risk

that the new Uruguay round of

multilateral trade negotiations

would drift into a third best

solution for agriculture based on cartelisation and market

sharing he said in a speech pre-pared for delivery to the Com-modity Club in Washington.

Mr Jopling paid tribute to the controversial research work

on agriculture undertaken by the Organisation for Economic Co-operation and Development.

France and Japan have sought to block publication of this

research because of the extent

of agricultural support which it

a multi-lateral approach to our problems through a genuine and

sustained reduction in support levels would bring world-wide economic benefits," he said.

WEEKLY METALS

ANTIMONY: European free

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse,

2.10-2.30 (2.15-2.30). CADMIUM: European free market, min. 99.95 per cent, \$

per lb, in warehouse, ingots, 0.88-0.92 (0.89-0.98), sticks, 0.88-0.92 (0.89-0.93).

COBALT: European free

market, 99.5 per cent, \$ per lb,

in warehouse, 6.05-6.15 (2 me). MERCURY: Curopean free

market, min. 99.99 per cent, \$ per flask, in warehouse, 200-210

MOLYBDENUM: European

free market, drummed molybdic oxide, \$ per lb Mo, in ware-house, 3.10-3.15 (same).

SELENIUM; European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.35-4.95 (4.05-4.90).

TUNGSTEN ORE: European

free market, standard min. 65

per cent, \$ per tonne unit WO,

VANADIUM: European Free market, min. 98 per cent V₂O₅, other sources, \$ per lb V₂O₅,

cif 248-255 (same).

market. 99.6 per cent, \$ per

tonne. In warehoi

(2,310-2,340).

prices as supplied by Bulletin (last week's

The approach which the

OECD has developed provides of polici a valuable framework of thought countries which seems highly relvant to farmers."

"The OECD work shows that

BY PETER MONTAGNON, WORLD TRADE EDITOR

The mine was expected to be future. It has taken the harsh a cash cow for Colombia. But decision to sell into effective although it is covering its run- 75 per cent foreign ownership although it is covering its running costs at current prices, it the first major South American is not able to repay the debt export mine.

El Cerrejon has the capacity new export terminal at Puerto Bolivar and a dedicated rail link between the two were also The capital cost of about \$225

per annual tonne of capacity dwarfs those of competitors. Allied Queensland Coalfields' Parambahan on the Indonesian island of Sumatra — the latest steam coal mine to be developed — cost \$50 per annual tonne of capacity.
The Colombian Government

had to face the fact that it had assumed a debt repayment burden which would be hard to clear in the foreseeable

Mr Michael Jopling: tribute

to OECD research

the issues which the GATT nego-

round favoured a traditional negotiation based on trading rules and disciplines, he said,

but this had not been a successful approach in the past.

"It did not succeed precisely because of the whole panoply of policies which individual

countries use to support their

BY JOHN WICKS IN ZURICH

However, the bank foresees

that supply will continue to

exceed demand and prices stay "in the shadow of gold and

Coinage demand in 1987 is

expected to fall to about 500

tonnes, as compared with about 700 tonnes last year. But overall processing demand is

seen as increasing from 12,900 to 13,200 tonnes because of an

expected rise in industrial use

from 12,000 tonnes to 12,700

The study said industrial

prospects were encouraging

Rising incomes were leading

to increased demand from the

photographic, jewellery and cutlery sectors. Growth would, however, be slower than the

Supply this year is seen as

edging abead from a pro-visional level of 14,000 tonnes to about 14,050 tonnes. This is still at about the same volume

rate for the past decade.

platinum."

tonnes.

Silver prices to remain

this year, according to a study third of mined output comes published by Credit Suisse in from Mexico and Peru two highly-indebted countries. They

'in gold's shadow'

Some participants in the Gatt

tiations will have to tackle.

Jopling calls for 'head on'

attack on farm surpluses

export mine.
The question of return on

capital is harder to resolve for Exxon. The US energy group Carbocol, which owns the to more 15m tonnes a year. It took most of its funding for the mine jointly with Intercor, the is also the most expensive — project from windfall profits Colombian subsidiary of Exxon at the time of construction a made on Dutch natural gas of the US, is already in talks new export terminal at Puerto agreed to release for the large Third World development.

The oversupply of steam coal looks like continuing for some time. The Venezuelan Government is now considering bids for a 10m tonnes-a-year steam coal mine at Carbozulia, just across the border from El Cerreion.

Prices have continued to decline, with some South African coal being shipped at about \$18 a tonne from the terminal at Richards Bay. But there are indications that a recovery may be on the way, finance the scheme

Mr Jopling acknowledged that

his radical approach to the farm problem had made him un-

popular with UK farmers, but they had to accept the major change in the economic climate

in which agriculture had to

The US spent \$26bn in 1986 on agricultural support, the EEC \$23bn and Japan \$11bn, he said,

and these figures take no account of the substantial trans-

fers to farmers through food

have come to realise that in-creasing production, and the costs that this entails, cannot

The EEC has taken some sig

nificant measures to reduce agricultural support. It was

entitled to operate a common farm policy. "The mistake has been, not in the system itself,

but in the level at which agri-culture has been supported."

Separately Mr Jopling re-iterated Britain's fierce opposi-

tion to the proposed EEC levy on fats and oils which he said "did not sit well" with the opening of the Gatt round.

SILVER demand should rise is not wholly dependent on at a faster rate than supply prices. This is because a good tive ways of preserving the

need income from silver exports

and can mine silver economic-

ally because of their weak

currencies, and because most silver is a by-product of other

In spite of this, the closure

of mines producing only silver, as well as low non-ferrous metal

prices, are said to have had a

Elsewhere in the supply sector, recycling volumes are expected to remain at last year's 3,500 tonnes. A similar repeat of 1886 figures is expected for eastern-bloc trade (150 tonnes)

and sales by currency authori-

Although the overall supply surplus is thus likely to drop from 1,100 tonnes to about 850 1994. tonnes, Credit Suisse thinks it

is improbable that silver will since 1985 has also improved resume a leading role in the precious - metals quartet," citing the after-effects of earlier and justifying the mining of

retarding effect on both output

mining activity.

and new projects,

ties (400 tonnes).

"There is a growing consensus about the need for urgent action. Farmers themselves LONDON **MARKETS**

ALUMINIUM PRICES fell heavily at the London Metal Exchange again yesterday, taking prices to five-week lows. The cash quotation added £26 to Monday's £13 fall to close at £824 a tonne, while its premium over the three three months position narrowed by £4.25 to £32.25 a narrowed by £4.25 to £32.25 a tonne. The premium, or "backwardation" as it is known, reached £40.50 a tonne at the end of last week as covering by granters of options caused a squeeze on supplies available for nearby devery. Dealers said yesterday's fall was sparked off by a wave of selling by speculative "longs." They added that it had belatedly filled some gaps in chart patterns left by

it had belatedly filled some gaps in chart patterns left by the recent price rise. The LME copper market was also weak under pressurs early on from sterling's pre-budget firmness against the dollar. The cash quotation closed £10 lower at £906.50 a tonne after the three 6906.50 a tome after the three months position had breached a chart point at £900 a tome. Traders said the market was very quiet, however, as operators assessed probable budget impact on currencies.

AT THE BUILDING

ALUN	111410		
	Unoffici close (p.) £ per	al + or n.) — tonne	High/Lo
Cash ā months	823-5 791,5-2	-26 -21,75	794/788
(848-5); settlemen	three mo	(am): C nths 793-3. 8), Final K 35,500 tom	5 (811-2) erb Clos

LME prices supplied by Amalgamated Metal Trading.

COPPER

	irt- effrei	1144	
Grade A	Unoffic' close £ per	·—	High/Low
Cash 3 months	906-7 894,5-5	_10 _7.5	910/909.5 826.5/891
Official ci (919-20); the settlement 9 894-4.5.	ee month	s 896.5	
Standard Cash 3 months	849-51 864-6	-72.5 -12.5	852/850,5
Official clic (866-8); thruserslament prices 66-5/	s month 850.5 (86 70 cents	8 865-8 8). US per po	Producer

LEAD					
	Unofficial close (p.r £ per	+ or tonne	High/Lov		
Cash 3 months	308-9 300,5-1	-5 -3.75	309.5 303/300		
(311.5-2); 3.5); sett Close: 30	three ment 310	onths 30 0 (312). 10ver: 6,3	th 309.5-10 0.5-1 (303 Final Kert 50 tonnes ound.		

	Unofficial + or close (p.m.) - £ per tonne	High/Low			
Cash 5 months	3349-50 -64 2362-5 -61	2375/2350 2386/2550			
Officiel closing (am): Cash 2385-70 (2415-8): three months 2395-60 (2411-2): settlement 2370 (2415). Final Kerb Close: 2380-8. Turnover: 1808 tonnes.					

Koele Limpur Tin Merket: Close 16.84 (16.65) ringgit per kg. Down 0.01 ringgit per kg.

Kigh grade	Unofficial + or closs (p.m.) - 2 per tonne	High/Low
Cash 3 months	456-7 -3,5 458,8-3,6 -2,5	458,5 454/462
8.75 (459.1 4 (454-4.5) Final Kert	closing (am): Case 5-80.5); three mont 3; settlement 468.7 5 Close: 452-2.5, 68. US Prime West or cound.	ha 453.75- 5 (460.5). Turnover:

GOLD

Gold fell \$4 an ounce from Monday's close in the London bullion market yesterday to finish at \$4042-4054. The metal opened at \$4054-4054 and traded between a high of \$4054-407 and a low of \$404-4044. Trading was subtued and festureless for most of the day with little incentive derived from the dollar's lacklustre performance. GOLD BULLION (fine punce) Mar. 17

Close 840434 40514 (225314-25535) Opening ... 840534 40614 (225414-255) M'n'g fix ... 8406.36 (2254,625) Aft'n'n fix 8406.36 (2254,685) GOLD AND PLATINUM COINS

4 (4861-865) 6 (2865-1-134) 6 (2865-1-134) 6 (287-6734) (28581g-8611g) (28581g-8611g) (28611g-691 (2811g-691 (2811g-691 (2811g-691 (2811g-691) Angel...... \$415-418 1/18 Angel \$4014-4514 New Sov... \$97-98 Old Sov.... \$9714-9914 \$ 20 Eagle \$490-540 Noble Plat \$557-545

SILVER

Silver was fixed 1.7p an ounce lower for apat delivery in the London buillion market yesterday at 350.65p. US cant equivalents of the fixing lavels wers: spot 559.75c, up 3.2c; shown three-month 569.35c, up 3.2c; and 12-month 577.15c, up 3.2c; and 12-month 555c, up 3.4c. The metal opened at 369-350, (556-560-c) and closed at 349-350-p (556-560-c).

SILVER Buillon + or L.M.E. + or per troy oz Price Unoffic'i 8pet _____ 350,65p -1.76 350,5p 5 months 359,30p -1.76 359,5p 6 months 367,50p -1.78 12 months 363,50p -1.78

LME-Turnever: Q (8) lets of 10,000 Three months final kerb 359-60c.

(MCAs).

that the cost of inputs declined by 1.5 per cent on average, power of the net farm income per farmer increased by 10.9 and prices fell by 2.3 per cent.

State of inputs declined by 1.5 per cent on average, power of the net farm income volume rose by 0.8 per cent. and prices fell by 2.3 per cent. \$400, BWC 340, BTD \$385. BWC \$400, BWC 340, BWC

US MARKETS STEADINESS in world eil

INDICES

REUTERS

DOW JONES

Mar, 16 Mar, 15 M'th ago Year ago

1556.2 1541.8 1819.9 : 1825.7 (Base: September 18 7931=100)

Dow Mar. Mar. Mrth Year Jones 16 15 ago ago

Spot 113.25 113.21 - 151.40 Fut 118.65 118.65 - 153.95

(Base: December 31 1831~100)

MAIN PRICE CHANGES

ree Market...... 83545/565 -- 15 | \$3418/48

prices and short-cavering in the April contract railied crude oil intures strongly, reports Drexel Burnham Lambert. Early fund buying coupled with local, commission house and trade buying pushed prices towards overhead resistance commencing at \$18.60, basis May. Trade selling was noted at the highs. Short-covering and early

as concern over the forth-coming temperae crop in Brazil. The grains were quiet, although professional buying in maize futures was reflective of firmer pre-minus as a result of a tender by Taiwan.

† Unqueted, † Per 75-lb flask, c Cents a pound. * Compa outbook. v April. z March-April. x April-May. y May.

COFFEE

Occos Ft. May 21308.5 |+6 21341.6 Coffee Ft. May 21.381 |-2.5 21468 Coffee A Ind. 52.00c |-0.1 | 66.68 Coffee Coffee Right | 62.00c |-0.1 | 66.68 Coffee Cof

Sales: 3,923 (4,505) lots of 5 tonnes. ICO indicator prices (US cause per pound) for March 18: Comp. daily 1979 98.52 (58.37): 15-day everage

Futures traded quite actively over a £14 sungs and closed at the middle of that range. Light producer interest was apparent at the highs. Consumers.

March 1284-1886 +9.0 1288-1288 May 1509-1309 +6.0 1377-1898 July 1336-1338 +6.5 1361-1898 Dec 1578-1380 -1.5 1382-1380 March 1402-1404 -0.5 1418-1498 May 1423-1424 +0.5 1454-1422

Salas: 3,591 (1,474) lots of 10 tonnes, ICCO Indicator prices (SDRs per tonne). Duly price for Merck 17: 1597.84 (1579.75): 10-day everage for March 18: 1558.07 (1584.88).

POTATOES

A weeker Dutch quots anominged immediate selling in London with overnight losses of £2.00 followed by further drop of £4.00 in April by midday. Over the past few days news that the AFBD (the market watchdag) was inspecting brokers books to try to establish whether or not a squeeze was in operation on the April position has led to fairly strict, quies trade. Over lunch a telex from the LPFA chalman atteing that in his wise there was "no evidence of a squeeze" resulted in £3-4 bounce on the sfarmoon opening before prices fell away again to close £2.00 off the lowe on general book-aquaring, reports Colay and Harper.

Yesterday's Previous Business done

Sales: 1,426 (763) lots of 40 tonnes.

SUGAR LONDON DAILY PRICE—Raw augar \$191.50 (£120.00), down \$7.50 (down £5.00) a tonne for April-May delivery. White augar \$208.00, down \$5.50.

May 178.8-178.9: 178.8-174.9: 179.8-178.9
Aug 179.8-178.9: 178.8-178.9: 179.8-178.0
Oct 181.8-182.0: 178.8-178.9: 181.8-178.4
Doc 184.8-182.0: 184.8-182.0: 181.8-188.6
May 189.8-181.8: 186.4-182.0: 187.8-188.9
Aug 189.8-181.8: 186.4-182.0: 187.8-188.9
Aug 189.8-181.8: 186.8-182.9

Sales: 2,030 (2,396) tota of 50 Tate & Lyle delivery price for granulated hasis evger was £225.00 (£231.80) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean porta). Prices for March 16: Delity price 7.59 (7.81); 15-day average 7.83 (7.81). price 7.58 (7.81); 15-day average 7.83 (7.81).

PARIS—(FFr par tenne): May 1278/1277, Aug 1300/1307, Oct 1320/1332, Dec 1350/1300, Mar 1375/1396, May 1415/1430.

SOYABEAN MEAL Good activity was seen on June with

sterd 'ye + on Business close - done Sales: 267 (60) loss of 20 tonnés.

PHYSICALS—The London market opened slightly steadler, found very little interest throughout the day and closed neglected, raports Lewis and Pest. Closing prices (buyers): Spot 61.75p (same): April 62.75p (same); May 62.50p (same). Kesis Lumpur fob

Short-covering and early light trade buying steadled gold futures in the face of MATINUM 60 troy oz, S/troy og profit-taking by both the trade and locals as the market reacted both to a weaker dollar and the rise in oil prices. Silver futures opened in line with expectations but fell on fund selling in light volume before rallying from the lows to trade in a narrow range for the rest of the day. Platinum futures railied en good trade huying in the face of local and commission house selling Copper. After opening lower, soon found shared support to held steady for the rest of the day. Good trade huying at lower levels helped sugar futures recover following earlier weakness on commission house liquidation. Coffee futures remained dollar and the rise in oil

commission house liquidation.
Coffee futures remained
under light pressure
throughout the day reflecting
reports of offering below the
market of Colombian and
Mexican coffee. Cocoa futures
continued to steady in
light volume as the market
continued to exhibit optimism
over the prospects for a satisfactory outcome to the
current ICCO talks, as well
as concern over the forthas concern over the forth-

NEW YORK Cicae Prev High
63.45 51.25 83.45
83.40 83.85 82.50
63.80 63.35 83.65
63.80 63.35 83.85
64.00 63.75 83.96
64.00 63.75 83.96
65.00 64.75 64.45
65.00 65.15 —
65.75 65.50 March 63.45 63.25 63.4 May 63.40 63.35 63.4 May 63.40 63.35 63.6 March 64.05 64.05 63.75 63.8 March 64.05 64.75 July 65.00 65.75 65.50 COTTON 65.000 fb, cents/ib

Latest Prev 18.92 18.04 18.57 18.39 18.27 18.11 18.02 17.82 17.73 17.90 17.65 17.65 17.65 17.46

| Ciose | High/Low | Prev. Dry Gargo

April 984/987
July 832
Oct. 915
July 915/920
Apr. 925/935
July 800/815
Oct. 900/840
Jan. 950/940
BFL 907

Turpover: 281 (529).

| 103.01 | 105.05 | 105.20 | March | 482.0 | 486.4 | 486.5 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 486.1 | 4 10w 56.40 54.75 53.43 52.50 High 57.10 55.36 53.76 52.97 CRUDE OIL (LIGHT) 42,000 US High Low Out 14.35 Re.1 16.22 16.23 18.92 18.95 Dec 16.35 16.96 16.97 16.95 16.95 16.95 16.95 16.95 16.95 16.95 16.95 17.95 17.70 17.70 17.70 March 291.6 291.2 292.4 291.4 279.5 17.85 17 Close 291.5 281.4 258.4 258.4 284.4 ORANGE JUICE 15,000 Ib, cents/lb Closs Prev High Low 191.90 132.46 132.75 131.75 133.60 133.25 134.90 133.60 134.90 133.80 134.90 133.10

SPOT PRICES—Chicago loose lard 15.00 (asme) cents per pound. Hendy and Harman silver bullion 555.5 (557.5) cents per troy ounce. HGCA — Locational ax-farmt and prices. Foud Sariey: S. East. 155.00. S. West 115.80. W. Midlands 114.30. N. West 112.70. The UK moustery coefficient for the week beginning Monday Merch 23 (based on HGCA calculations using five day's exchange rates) is expected to remain unchanged.

FREIGHT FUTURES Initial strength was sold late, but the lower levels achieved ettracted fresh, entinualistic buying causing the market to rally to the highs of the day. Despite no further fundamenal developments bullish sentiment pre-valle, repors Clarkson Wolff.

Prices edged upwards throughout the day. Brent traded actively, up to \$18,35 in April and \$18,00 in May. April WTI opened 11c up on Hymest and traded 21c up at 1,30 pm EST. In the partroleum products market all products except gas oil finned on good demend for tight prompt; swall-abilities. Gas oil was quiet but tim on the back of strong crude prices—Petroleum Argus, London.

PRODUCTS—North West Europe Prompt delivery cif (\$ per tonne) 192-195 +1 148-150 ±1 100-108 +2.5 176-178 +4

GAS OIL FUTURES

esterday + or Business US F 98.00 +6.00 98.00 86.0 +5.00 95.00 Turnover: 27 (2) lots of 100 tourses.

"precious - metals quartet," making the company profitable citing the after-effects of earlier over-pricing, the subsequent recession on the silver market and technical substitution by other materials. The local dollar copper price, making the company profitable and justifying the mining of deeper reserves at a copper recession on the silver market and technical substitution by other materials. URANIUM: Nuexco exchange as in 1976 and almost 4,000 value, \$ per lb U₁O₅, 16.75 tomes up on that for 1980. Credit Suisse says production other materials. Facts behind the farm income figures

BY TIM DICKSON IN BRUSSELS AVERAGE FARM incomes

throughout the European Community rose marginally in real terms last year—but since the middle of the 1970s they have fallen sharply. These trends were confirmed by two separate studies last week—one from the European

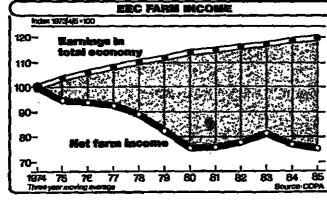
Commission, the other from COPA, the leading agricultural lobby group—but as with all statistics the figures require careful handling. The slight improvement in 1986 incomes, for example— according to the Commission— 0.1 per cent on a year-on-year

basis for 11 member states (excluding Portugal), 0.5 per cent according to COPA estimates—should be seen in the light of a particularly steep drop in 1985. Moreover, the apparently the Commission's findings—can hardly be used as a serious jus-

Besides disguising considerable regionsi differences, it arguably demonstrates that the biggest increase in farm increased in the biggest increase tural Policy (CAP).

tification for abandoning re-

forms of the Common Agricul-



mechanisms of the CAP are designed in a way that most benefits those that least need help. While comparisons with the rest disastrous decline since the of the economy (see chart) fail middle of the last decade—as to take into account the subof the economy (see chart) fail much as 25 per cent, says stantially higher job losses COPA, rather less if you take suffered in other sectors.

Perhaps the most intriguing results of the survey-already publicised to some extent elsewhere-are the figures for individual member states. The

increasingly expensive support for cost, was 8.7 per cent in West Germany—a finding which will no doubt be used against Mr Ignaz Kiechle, the West German Farm Minister and other members of the Federal Government as they step up their campaign against the price reductions for Germany implied by plans in Brussels to reform the complex system

of green currencies and monet- other out. ary cor (MCAs). compensatory amounts

per cent in West Germany in 1986—though Mr Kiechle will possibly be more interested in lowed a huge 21.9 per cent fall The biggest decrease in farm incomes—7.3 per cent according to the Commission and influe-

enced by extremely wet weather—was recorded in Ire-

Both COPA and the Commission agree that the main reason for the marginal upturn in incomes last year was the fall in farmers' "input" costs —energy, feedstocks, and fertilisers—reflecting the effect of substantially lower oil prices and the weakening dollar throughout 1986. COPA says that total farm costs—goods, services, depreciation, rent, interest charges, wages and taxes less subsidies—fell by an services, depreciation, rent, interest charges, wages and taxes less subsidies—fell by an average 0.8 per cent on average in the Community; the rise in the volume of production last year and depressed producer prices just about cancelled each other out.

| MEA | Mac A | Communision — Average fattack prices at representative markets. GB—Cettle 95.38p per kg (+0.90). GB—Sheep 202.02p per kg est dew (+15.27). GB—Figs 81.40p per kg (+2.30). | W (+2.30). Pigs: April 88.90, June 97.50. Nov 101.30. Sales: 16. Live caute: April 89.20, Aug 97.50. Oct 97.00. Sales: 10.

The Commission estimates JUTE

LLOFIL INICAL

GRAINS Old crop wheat tirmed, relited firmer spot delivered prices the firmer struggled to maintain previous day's steadler trend esset on trade selling. New Costw is fractional rise with ner abort-cavering keeping values steady, reports T. G. Roddick. & per tonne

BARLEY

| Mar. ... | 118.30 | +0.55 | 118.00 | -0.25 | 128.00 | +0.40 | 118.85 | -0.48 | +0.40 | 118.85 | -0.48 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.40 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.45 | +0.4 Business done—Wheel: Mar 118.20.7.30. May 118.55-8.30. July 120.75-20.50. Sept ustraded, Nov 101.86-1.85. Jan 104.50-4.40. Mar 106.95-8.80. Sales: 272 lots of 160 tonnes. Berley: Mar-113.26. May 114.00, Sept untraded, Nov 107.20-1.10. Jan 103.55. Mar. 105.95. Sales: 34 lots of 100 tonnes. Berley: Mar-113.26. May 114.00, Sept untraded, Nov 107.20-1.10. Jan 103.55. Mar. 105.95. Sales: 34 lots of 100 tonnes. LONDON GRAINS—Wheelt -115 dark northern spring no 1 15 per cent April/May 95.50. June 95.00. US no 2 acts. pd winter June 90.00. July 89.50. Franch 112-12 per cent Mar 142.25. Spellah leed fob Mar 117.50/18.00. April 119.00/120.00 buyar/sellers. May 120.50/18.00. Oct/Dec 105.25/102.00. Jan/Mar 109.50/110.00 buyar/sellers. Makett: US no 3 yellow/French transhipment éast coset accond-half Mar 142.50. Berley: Eaglish feed fob Mar 113.50 buyar Patrhaud, 114.00 buyer Booton, April/June 117.50 seller Scottish, 118.50 seller Eaglish.

CRUDE OIL-FOR (5 per barrel)-April

Turnover: 3,442 (2,048) lots on tonnes.

HEAVY FUEL OIL

RE WALLS

FOREIGN EXCHANGES

Further rise for sterling

STERLING CONTINUED to improve in currency markets yesterday as the market showed as period in yesterday's UK announced in yesterday's UK budget. Its exchange rate index finished at 72.1 up from an opening level of 71.9 and a sharp rise from Monday night's close of 71.4. The firmer opening was the result of heavy overnight demand in the Far East as foreign investors acted on the opinion that sterling had further to rise.

Consequently early trading in London was a little restrained as sterling approached the level which previously had prompted.

The dollar recovered from a weater start on better than appeared US housing starts in February. These showed a rise of Today's second revision to US fourth quarter GNP also kept many people on the sidelines.

Attention elsewhere was focused on sterling with investors from DM 1.8375, having been as low as DM 1.8375, having been as focused on sterling with investors from BM 1.8375. It was also stronger in against the dollar in 1988-87 in 6.12 from FFF 6.1175. On Bank of the French frame at FFF 6.125.00 Bank of the FFF 6.125.00 Bank of the french frame at FFF 6.125.00 Bank

Reten on the opinion that sterling had further to rise.

Consequently early trading in London was a little restrained as sterling approached the level which previously had prompted intervention by the Bank of England. However the pound moved ahead once more during the afternoon and broke through the \$1.60 level. But resistance hardened around this point, with dealers expecting an imminent cut in UK clearing hanh base rates to take some of the steam out of sterling's support included higher North Sea oil prices and another opinion poll which showed the Conservative Party with a clear lead over other parties.

The pound closed at \$1.5900 up

Leading the French franc at FFr 6.1275. On Bank of England figures, the dollar's factors from 103.4 method of lighters, the dollar's rate index closed at 103.2 from 103.4 Trading was rather quiet in Tokyo yesterday. Once again the dollar was confined to a narrow range. However its failure to hold the dollar was confined to a narrow range. However its failure to hold the dollar was confined to a narrow range. However its failure to hold on the sterling and imminent cut in UK clearing hanh base rates to take some of the steam out of sterling's upward turn.

Other factors providing underlying support included higher opinion poll which showed the Conservative Party with a clear lead over other parties.

The pound closed at \$1.5900 up

The pound closed at \$1.5990 up from \$1.5840 but eased back in New York soon after the close in London. Elsewhere it rose to DM 2.94 from DM 2.91 and Y243.0 from Y240.25. Against the Swiss franc it was firmer at SFr 2.46 from SFr 2.4350 and FFr 9.7850 compared with FFr 9.69.

£ IN NEW YORK

E .

Mar 17	Linesi	Previous Close
£ Spot	1.5970-1.5980 0.52-0.49 pm 1.38-1.33 ps	1.5865-1.5875 0.51-0.50 pm 1.29-1.26 pm
12 months Forward pres	4.45-4.35 pm	4.30-4.20 pm mts apply to the
U.S. dollar.		

830 am 71.9 71.6 9.00 am 71.9 71.6 10.00 am 71.9 71.6 11.00 am 71.9 71.5 Noos 71.9 71.5 100 pm 71.7 71.5 2.00 pm 71.7 71.5 2.00 pm 71.9 71.4 4.00 pm 71.9 71.4		Mar. 37	Previous
	9.00 am	71.9 71.9 71.9 71.9 71.9	71.6 71.4 71.5 71.5 71.4

Mar. 17	Bank cate %	Special Drawing Rights	Eartifees Currency Unit
Sterling		0.796800 T 1.26994	0.711951
Canadian S		170334	1.13378 1.498G
Austrian Sch	4	16.3505	145816
Belgian Franc ,		48.1752	42,9902
Danish Krone _		8.76259	7.81176
Deutsche Mark Neth, Guilder		2.32742 2.62624	2.07493
French Franc.		7.73647	23409 690073
Italian Lira	12 .	N/A	147418
Japanese Yes .	25	192,269	171.371
Norway Krone		8.82608	7.87728
Spanish Penta.		N/A	145.521
Swedish Krosa .	25	814730 1,94255	7.25%1 _ 1.755%
Greek Drack		170.680	152,335
Irish Pant		WA.	0.779500

*CS/SDR rate for ther. 16: 146515

CURRENCE	MACHE	AID
March 17	Gask of England Index	Morgae Guaranty Champes %
SterRog	72.1 109.2 79.3 138.1 100.1 93.2 147.2	-21.6 -4.0 -9.1 +10.3 -4.4 +3.7 +21.6 +71.5
Smis: Franc Golder French Franc Lira Yen	134.4 71.8 48.2 211.3	+140 -127 -167 +573

OTHER CURRENCIES

20 E

a ·

FUTURES

mar. at		
Argentina Australia Bracil Flotinai Greece Hong Koog	2,4480-2,4590 2,3205-2,3235 32,3000-32,5100 7,1735-7,1860 212,60-216,30 12,4370-12,4495 115,00°	1.5350-1.5410 1.4550-1.4560 20.2720-20.373 4.4990-4.5010 133.50-136.75 7.8005-7.8025 72.20* 849.20-856.20
Koren (Stb) . Korent	1347.15-1359.35 0.44210-0.44280 60.70-60.80 4.0195-4.0270 2.8095-2.8370 5.9810-5.9865 3.4115-3.4165 5.3470-3.3365 5.3455-5.7445 5.475-55.05 5.875-5.8630	849,20-336,20 0,27720-0,2774 \$7.95-36.05 2,5205-2,5225 1,7620-1,7650 3,7500-3,7510 2,1390-2,1410 2,0820-2,0865 3,4785-3,6033 34,50-34,60 3,6725-3,6735
• Selfling rate		

Mar. 17	3	<u> </u>
Argenian Australia Bracel Fiologia	2.4480-2.4590 2.3205-2.325 32.3000-32.5100 7.1795-7.1840 712.69-716.30 12.4370-12.4495 115.00* 1347-15-1359.35 0.44210-0.44280 4.0195-4.0270 4.0195-4.0270 2.8095-2.8170 2	15350-140 14550-1455 20.2720-20.37 4.4990-450 133.50-135, 7.8005-7.802 77.200 849.20-856, 2.7720-2.77 57.95-38,05 2.5205-2.52 2.5205-2.52 2.17620-1.78 2.17620-1.78 3.7500-3.75 2.1390-2.18 3.7500-3.75 2.1390-2.18 3.450-3.46 3.6725-3.67

	2,4480-2,4590	1.5350-1.5430
Enimery	277002 2700	1,4550-1,4560
Australia	2.3205-2.3235	10000-1-1000
Brazil	32,3000-32,5100	20.2720-20.3730
Flature	7,1735-7,1860	4.4990-4.5010
	21260-216-30	133,50-135,75
Greece		7,8005-7,8025
	115.00*	72.20°
48	115,00	849.20-856.20
Koree (Stb) .	1347.15-1359.35	844.20-0.020
Kirnait	0.44210-0.44280	0.27720-0.27740
Lmembourg	60.70-60.80	37.95-38.05
	4.0195-4.0270	2.5205-2.5225
Maleysia	2,8095-2,8170	1.7620-L7650
N. Zeriani	20077-20410	3,7500-3,7510
Speidi Ar	5,9810-5.9865	21390-21410
Simpore	3.4115-3.4165	51340-51410
S. Af. (GM)	3.3070-3.3365	2,0820-2,0865
S. AL (FA)	5.5455-5.7445	3,4785-3.6035
	54.75-55.05	34.50-34.60
Talwati	58575-5.8630	3 6 7 25 - 3 6 7 3 5
U.A.E	203/7-3350-0	
- Selflag rata		
- 26iting sam	•	
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الكسيوي		
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V.A.E	575-5.8630 3.6725-3.6735	Yen per 1,000:	French Fr per 10; Lira pe	r 1,000: Belglan Fr per 100.			11 412
	MARKETS			FT LONDON IN	TERBANK FXING	i	
				(17.00 a.m. Mar. 17	7 3 months U.S. dollars	- 6 AMOI	ntis U.S. dollars
-	1 '		hint	bid 6 3 ₈	offer 6/2	bid 6 la) of
No	base	гаце	HIHL	officered values for \$30m to	e arkhopetic means, rounds poted by the market to five a Westminster Bank, Benk o	reference banks at	l 111.00 a.m. eac

Ope				
areight Mont		Three Months	Siv Months	London Interviol
184 7118 194 444 194 945 19125 4156 1911 1941 175 747	748 — — — — — — — — — — — — — — — — — — —	3.90-4.05 77-8 44-4-4 57-59- 3.96875 107-11 77-77- 139-137-	3.90-4.05 713-8 à — — — — — — — — — — — — — ——————————	5九二二二二
	5-3.95 3.90-4 1-54 711-6 1-54 43-4 1-54 51-5 1-114 109-1 1-114 109-1 1-75 79-7	53.95 3.904.00 3.904.00 1.64 71.84 74.8 1.54 5.55 1.52 4.156.25 1.116 104.156.25 1.75 78.70 134.134.	53.95 3.904.00 3.904.00 3.904.05 1.64 711.64 72.6 72.6 72.6 72.6 72.6 72.6 72.6 72.6	53.95 3.90.4.00 3.90.4.00 3.90.4.05 3.90.4.05 14.6.4 71.8.4 72.8 72.8 72.8 72.8 72.8 72.8 72.8 72.8

base rates of I per cent. Dealers were divided on whether this would be achieved in one move however, and received no hint from the Bank of England's market operations yesterday. Three-month interbank fell to being 912-912 per cent from 912-912 per cent. Was also provided. Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained
UK clearing bank base leading rate 10½ per cent since March 18

Discount houses remained reluctant to sell bills to the authorities at present official intervention rates, in expectation of an early cut, but much of yester-day's £400m shortage was not with the houses. This was because day's £400m shortage was not with the houses. This was because maturing bills are not being renewed at present, in expectation of lower interest rates, with borrowers preferring to use overdraft facilities.

After the houses squared their After the houses squared their books the interbank remained to th

dence raised after the UK budget. JAPANESK YEN—Trading range against the dollar in 1986-87 is 262.76 to 151.32. February average 153.36. Exchange rate index 211.3 against 215.8 six menths ago. Trading was rather quiet in Tokyo yesterday. Once again the dollar was confined to a narrow-range. However its failure to hold on to a firmer trand started last week, because of fears of central

THE PONTE PONTENCT WILL INTES					
	Ecu central rates	Corrency temounts against Sco March 17	% change from central rate	% change adjusted for divergence	Divergence limit %
etgian Franc anish Krone erman D-Mark rench Franc unch Gelider rish Pure	42.4582 7.85212 2.05853 6.90403 2.31943 0.768411 1483.58	42.9902 7.811951 2.07493 6.90473 2.34489 0.779500 1474.48	+1.25 -0.51 +0.80 +0.01 +1.10 +1.44 -0.61	+0.90 -0.86 +0.45 -0.94 +0.75 +1.09 -0.61	± 1.5344 ± 1.6404 ± 1.0981 ± 1.3674 ± 1.5012 ± 1.6684 ± 4.0752

POUND SPOT-FORWARD AGAINST THE POUND

Mar. 27	Day's	Clase	Owe reports	% på	Three months	% p-a.
US	1,5905-1,6010	1.5985-1.5995	0.50-0.45 c pm	3.56	1.27-1.22 am	311
يبيب طيسي	2.0890-2.1035	21015-21025	0.58-0.46 c pm	848	2.45-2.30 pm	242
Neth lands	3.294-3.3212	3.30-3.31	Delle con	4.99	35 ₂₋ 34 ₂ pm	4.16
Belglam	60.45-60.86	60.70-60.80	16-11 com	267	40-30 pm	230
Denmark	10.989-11.05%	1109-1105-	14-17, ore dis		37,45,dis	-1.54
treland	1.0599-1.0989		0.27-0.42 9 64	-3.77	0.80 1.10 des	-3.46
W. Germany .	2923-2940	2992-2942	25-31 _{2 at par}	6.38	444 00	561
Portugal	224.56-226.84	225.85-225.85			247-360 ds	-536
Socia	204.62-206.05	205.65-205.95			207-257 🖦	-451
taly	2072/2-2090/2	208712-208812	2-our lire on		20ro-car pro	019
Normay	11.00-11.14	11.092 11.102	42-44 are 28		121-135ds	-4.91
France	9.71-9.79	9.78-9.79	17-15c pm	0.88	41-3500	1.42
Sweden	10.20%-10.26%	10.24-10.25	14-24 ore dis		35,41, ds	-151
lacito	2404-24312	2423-24312	11-11-7	5.86	33-34 pm	535
Reserva	20,49-20,60	20.57-20.60	107-74-010 pm	5.87	26 - 24 - 20	4.98
Serizerbed	2434-2462	2.45 ¹ 2-2.46 ¹ 2	14-14c pm	5.79	372-314 pm	3,49

DOLLAR	SPOT-F	DRWARD A	AGAINST T	HE D	OLLAR	
¥=. 17	Day's spread	Ciese	Çine montin	% på	Three months	% p.a.
UK1	1.5905-1.6010	1.5985-1.5995	0.50-0.45t ps		127-122pm	
kelandt	L4540-L4555	1,4545-1,4555	1.02-8.96c pm		2.52-2.38 pm	6.73
Carach	13125-13160	1.3125-1.3135	0.05-0.08c dis		0.14-0.19 dis	-0.50
Hetherlands .			0.20-0.17c pag	1.07	0.54-0.49pm	0.99
Belgium	37.57-38.05	<i>57.95-38.05</i>	2-4c da		6-11 dis	-0.90
Demark	6884-6915	6.901-6.91%	2.10-2.00me dis	-425	6.90-7.60 ds	-4.20
W. Germany .	18270-18400	1.8390-1.8400	0.42-0.39pi pm	265	1.14-1.09 pm	243
Portugal	241-241%	2424-2424	80-130c de	-8.94	270 340 de	-845
Spain	128.05-128.75		85-95 c dis	-8.40	235-255 de	-7.63
lesky	1298-1307	13051-13064	Se-37-lire da			-3.07
Herrer	492-6954	A941-6.954	445-5.15ore de	-8.47	13.80 14.30as	-810
France	605-612%	6114-6124	0.72-0.82: 45	-1.52	235-255 65	-2.61
Seeden	6395-6414	6.403-6.41	2.90-3.20are dis	-571	7.40-7.80 dis	-4.74
خصت معفعات	151.00-152.10	151.90-152.00	0.29-0.26y ma		0.87-0.82 pm	223
Austria	22.84-32.93		275-225mg om	233	650650 pm	1.86
Switzerland		1.5380-1.5390			.0.93-0.86 cm	2.31

† UK and freised are quoted in US cars to the individual currency. Belgian re

EURO-CURRENCY INTEREST RATES

U.S. Dollar							
U.S. Doller 64.64 65.65	Mar. 17		7 Days'		Three Months		
D. Krone 109-11 103-104 103-114 103-114 103-114 103-11	U.S. Dollar	64.64 64.65 54.53 7.14 4.44 78.84 9.10 74.73 62.74	64-64 67-7 54-54 4-1 4-4 71-8-6 9-10 73-71-2	64-64 64-64 53-59 44-49 74-89 74-89 73-77-73	6462 647 5452 446 446 886 9456 7472	64-62 63-7 53-53 4-44 4-49 8-49 73-72 7-72	92-92 62-52 72-74 53-54 44-2 84-84 84-84 72-72 7-72
	D. Krook	102-11	103-103 WA	107-114		10%11% 372.5%	10711 15711

Long-term Eurodolites: Two years 64-7 per cent; three years 7-74, per cent; four years 7-7-75 per cent; five years 72-74, per cent social. Short-term rates are call for US Dollars and Jopanese Year others, two dans' notice.

EXCHANGE CROSS RATES

Mar. 17	£	\$	DMI	YEN	F Fr.	S Fr.	HFL	Line	C\$	8 Fr.
£	1.	1.599	2.940	234.0	9.785	2.460	3.305	2088.	2.102	60.75
	0.625	L	1.640	152.0	6.120	2.539	2.068	1306.	1.325	38.00
DM YEN	0.340 4.115	0.544 6.580	12.10	82.65 1000.	3.328 40.27	0.837 10.12	1124 13.60	710.2 8593.	23	20.66 250.0
F Fr.	1.022	1.634	3,005	248.3	10	2514	3.378	2134.	2148	62.06
S Fr.	0.407	0.650	1,195	98.78	3.978	L	1.343	848.8	0.854	24.70
H FL	0.303	0.484	0.890	73.52	2.961	0.744	1.	631.8	0.636	18.38
Line	0.479	0.766	1.406	116.4	4.686	1.178	1.583	1000.	2.007	29.09
C S	0.476	0.761	1.399	125.6	4.65	1.170	1.572	993.3	1	28.90
B Fr.	1,646	2.632	4.840	400.0	1611	4.049	5.440	3437.	3.460	100.

(17.00 a.m. Mar	277 3		ths U.S. dollars	6 aucntis U.S. dollars				
PR 9.4	$\overline{}$	_	offer 6/2	bid 6 %	offer 6 ½			
The fixing rates an	the a	kho	etic means, rou	aded to the searest ope	e-sixteeath, of the bir			
offered rates for \$10)or dead	ed by	the market to fi	aded to the searest not se reference banks at 11	00 a.m. each working			

		WINT	2000	. 40.00					<u> </u>
	No base I	The Rank of England initially	The fixing rates are the officed rates for \$10m up. The banks are National 'Paris and Morgan Guard	nted by the : Westminster	market to five	e reference i	2005 at 11.0	Q aura, cach '	working day.
	market received a boost	forecast a money farket shortage	MONEY RATES						
	ahead of yesterday's Budget by news of a £300m repayment in the February UK public sector	in the afternoon. Total neep of ci36m was provided. The author-	NEW YORK (4p.m.)			5	Bills and 41 Three	Bonds er	6.55 6.72
	total PSER for the first 11 months of the financial year of only	in the morning, but in the atter- noon bought £16m bills outright, by way of £2m local authority bills	Prior rate Grober kan rate Fed fants	71 ₂ Thr 1 ₂ -7'4 Six 61 ₈ One	re month month year		J4 Fine ye	er	
÷	This, coupled with the Chancel- lor's target of a PSBR of only £4bn	£14m bank bills in band 1 at 1078	15. 17	Oversight	One Month	Tero Months	Three Montis	Sir Months	Lombarê Juterstotica
· ·	in the next infinites increased hopes of a cut in bank hase rates of I per cent. Dealers were divided on whether this would be achieved in one move however, and received no hint for Bank of England's mar-	Late assistance of around Floor was also provided. Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained	Frankfurt Park Surich Auskerdam Tokyo Milan Brussets Doblin Dobli	3.85-3.95 8&-8& \$-174 5&-57 3.76125 204-114 4.75 134-14	3904.00 711.84 41.44 53-552 4.15625 104-103 73-75 14-144	3.90-4.00 774-8 134-137s	3.904.05 774.8 44.44.6 57.572 3.96875 107-11 77-774 195-1374	3.90-4.05 713-8 à - - - - 125-125	50 74
	ket operations yester and fell to	weighed Exchequer transactions	LONDON MONE	Y RATE	'S				
	Three-month interest 911-911 per 911-911 per cent	fall in the note circulation of	Mar. 16	Over- night	7 days potice	Mach	Three Monte	Stx Months	One Year
. :	UK clearing bank base lending rate 10½ per cent since March 10	In Copenhagen the Danish Central Bank cut its overnight money market rate to 10% per cent from 11 per cent. The overnight rate	Interbank Sterfling CDs. Local Authority Deposits. Local Authority Boods Discount Milot Deposits	! -	104-102 104-104 105-	10-92 10-92 93-93	93-93 93-93 93-93	912-913 912-913 914	94,94 94,94 94,94

piscount in ray to-position
Company Deposition
Finance House Deposition
Treasury Biths (Bury)
Bank Biths (Bury)
Fine Trade Biths (Bury)
Dotter CDs
SDR Linked Deposition
ECU Linked Deposition Treasury Bills (sell); one-month 9% per cent; three-months 9% per cent; Bank Bills (sell); one-month 9% per cent; three-months 9% per cent; three-serve date Jonanny 31 to February 27 (Inclusive): 10.89% per cent. Local Authority and Finance Houses seven days' notice, others seven days' incet. Finance Rouses Base Raise 10 per cent from March 1, 1087: Bank Deposit Raise for some ast seven days' notice 4.35-4.375 per cent. Centificates of Tax Deposit (Series 6): Deposit £100,000 and over level under cent; one-three months 8% per cent; three-for months 9 per cent; one-three months 8% per cent; under £100,000 8% per cent from March 6. Deposits held under Series 5 10% per cent. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES

PSBR raises rate hopes

CURRENCIES, MONEY & CAPITAL MARKETS

INITIAL REACTION to the Budget was very good among traders on the London International lor had left room for further Financial Futures Exchange placed on a low public sector assumed a price of \$15 a barrel for borrowing requirement of £4bn North Sea oil, compared with prefor the next financial year, leaving sent prices of around \$18.

ning when a net repayment of £300m was announced in the February PSBR, and a borrowing requirement of only £100m for the first 11 months of the present financial year. This increased expectations of a significant undershoot in the Treasury's fore-

Collection
Agr. May June Sept. Agr.
— — 29,70 29,70 —
— 29,70 29,70 —
— 19,70 19,70 19,70 9,70 0,00
14,70 14,70 14,70 14,70 0,00
4,80 5,27 5,71 6,85 0,47
1,61 2,45 3,06 4,46 2,28
4 volume total, Calls 0, Pats 0
day's span lad, Calls 7,69, Pats 1,133

LIFFE \$/5 OPTIONS \$25,000 (sests per \$1)

reductions in taxation from any yesterday. Dealers were pleased improvement in Government that strong emphasis had been revenues, noting that the Budget

rates.

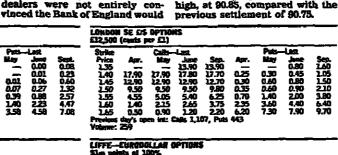
The PSBR target of f4hn was about £1bn less than generally sing when a net repayment of expected, and boosted hopes of an immediate 1 per cent cut in bank base rates, and possibly as much as 1½ per cent. This contrasted with the more cautious attitude in the cash money market, where dealers were not entirely con-

Last June 0.00 0.01 0.06 0.27 0.88 2.23 4.58

sanction an early cut of more than

½ per cent.
Long term gilt futures for June delivery opened firm at 123-01, supported by the strength of sterling. This was near the day's low of 122-31, and after the encouraging PSBR news the contract moved up to close at 124-17, just below the day's peak of 124-18, and compared 122-25 at Monday's close. Three-month sterling deposit futures were also supported by hopes of lower UK interest rates,

and the strength of the pound, which briefly moved above \$1.60. June delivery opened at 90.80, and finished slightly below the day's high, at 90.85, compared with the previous settlement of 90.75.



DESTSONE MARK (MMK) DMIZS,000 5 per DM

1654 19.56 19.56 19.51

93.19 92.98 92.77 93.37

Calls—Last, a Sep. Dec. Mar. J. Sep. Dec. Mar. J May Jane — 1920 1420 1420 — 11.70 920 920 670 690 460 520 300 350 Apr. 0.05 0.05 0.10 0.10 0.10 0.35 0.02 0.05 0.13 0.27 0.46 0.69 FIEE US TREASURY 8000 OPTIONS
Surike Calks—Last Puts—Last
Price June Sept Jame Sept
92 8.20 7.37 0.00 0.21
94 6.21 5.57 0.01 0.41
96 4.27 4.25 0.07 1.09
98 2.46 3.08 0.26 1.56
100 1.26 2.08 1.06 2.56
100 1.26 2.08 1.06 2.56
100 0.38 1.25 2.18 4.07
104 0.13 0.53 3.57 5.37
106 0.03 0.31 5.47 7.15
Estimated volume total, Calks 95 Puts 67
Previous day's open lest, Calks 335 Puts 292 LIFFE LORG GILT FUTURES OPTIONS

Strike Calts—Last Puts—Last
Price June Sept June Sept
112 12 34 12 37 0.00 0.15
114 10.35 10.48 0.01 0.26
116 8.46 9.01 0.12 0.43
118 6.50 7.27 0.16 1.05
120 5.10 5.62 0.40 1.40
122 3.41 4.44 1.07 2.22
124 2.28 3.38 1.58 3.16
125 126 2.38 2.43 3.09 4.21
Endoubted volume total, Calts 4.71 Puts 1,619
Previous day's open int: Calts 17,062 Puts 9,791 LONDON Close High Low Prev.
124-08 123-05 123-05 122-17
124-17 124-18 122-31 122-57
124-14 — — 122-19
24 usbump 25,279 (10,5794)
day's open int. 18,960 (20,020)

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Ciase High 102-11 Volume 0 (0) Low 101-11 100-06 99-06 98-08 97-13 U.S. TREASURY BILLS (PANE) Sine points of 180% Prev. 94-48 94-52 94-49 94-41

93.53 93.55 93.49 93.89

Close High Low Pres, 101-16 101-16 107-10 101-15 100-10 100-12 100-02 100-29 99-08 — 99-07 June 100-10 100-12 100-02 Sept. 99-08 Estimated Volume 1,374 (1,485) Previous day's open int. 3,288 (3,334) **CURRENCY FUTURES** POUND-S (FOREIGN EXCHANGE)

Spot 1-outh. 3-outh. 6-outh. 12-outh. 1.5990 1.5943 1.5866 1.5762 1.5578 MM-STERLING & per £ Latest High Low Prev 1,9825 1,5855 1,5795 1,5755 1,5735 1,5760 1,5700 1,5645 0 0 0 1,5745 15745 LIFFE-STERLING E25,000 \$ per 6 Close High Law Pres 1.5848 1.5810 1.5800 1.5652 1.5738 — 1.5640 1.5650 — 1.5640 volume 5 (21) out day's open lat 2/2 (1,082)

FORWARD RATE AGREEMENTS

Offer Bid Months Offer Bid 9.51 9.41 3-9 9.20 9.10 9.19 9.09 6-12 9.12 9.02 9.01 8.91 9-12 9.04 8.94 3-9 650 645 6-12 652 647 9-12 653 648 6.45 6.40 6.45 6.40

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Guaranteed Floating Rate Notes due 1995

Notice is hereby given to the holders of the above Notes that, pursuant to the provisions of Condition 7 (ii) of the Notes, the Issuer intends to redeem all of the Notes then outstanding on 7th May, 1987 ("Redemption Date") at a redemption price equal to 100% of the principal amount thereof plus accrued interest of US\$307.95 for each US\$10,000 Note.

Payments will be made on or after 7th May, 1987 against presentation and surrender of Notes or coupons at any of the following offices: Manufacturers Hanover Limited, 7 Princes Street, London EC2P 2EN; Manufacturers Hanover Bank Luxembourg S.A.. 39, Boulevard Prince Henri, Luxembourg, Manufacturers Hanover Trust Company, Stockerstrasse 33, 8027 Zurich; Union de Banques Suisses (Luxembourg) S.A., 36-38 Grand Rue, L-2011

Interest will cease to accrue on the said Notes as from

Notes and Coupons will become void unless presented for payment within a period of ten years and five years respectively from the

Manufacturers Hanover Limited Principal Paying Agent

18th March, 1987

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- 0,6572

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Curação Depositary Receipts of ordinary shares

The undersigned, acting as duly authorized Agent of Carneth Administration Company N.V., announced that at the shareholds meeting held on 27th February, 1987 it was decided to pay a final dividend of Yen 4 per share for the fiscal term cading 30th

This dividend will be payable, less 21% Japanese tax, as from the 16th March, 1987, on the coupons no. 38 of the CDRs. Payment will be made at the undermentioned offices as follows:

\$ 10.30 per CDR of 10 depositary shares of 50 ord, shares \$ 20,60 per CDR of 20 depositary shares of 50 ord, shares \$103.00 per CDR of 100 depositary shares of 50 ord, shares Residents of countries which have concluded a tax treaty with Japan, may, only afterwards, claim a 5% tax refund in Japan, The coupons no. 38 may be presented in:

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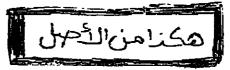
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LONDON SHARE SERVICE

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First Declara- Last Account tions Dealings Day .

Mar 9 Mar 15 Mar 20 Har 30 Mar 23 Apr 2 Apr 3 Apr 13 Apr 6 Apr 23 Apr 24 May 5 'New time dealings may take place rom 9.00 am two business days earlier.

The major clearing banks appeared aloof from the Budget proposals and showed little

alteration overall. NatWest edged

up 5 to 598p and Midland har-

dened a few pence to 628p, but

Barclays, 519p, and Lloyds 493p, were virtually unchanged. Else-

where, Standard Chartered rose 20

to 760p, while Chancery Securities

gained 13 to 221p reflecting con-

tinued speculative buying. Among

Discounts, Union, strong of late on the IEP Securities stake in the

company, eased 20 to 878p follow-ing profit-taking. Both Life and Composite Insur-

ances extended initial modest

gains by a penny or so more

Admiral Computing staged a successful market debut, the

shares opening at 160p and advan-cing to 180p compared with the placing price of 150p. Among other recently-issues equities,

Capital Radio attracted good sup-

port and touched 192p prior to closing 16 higher at 183p. British

Airways closed a penny dearer at

The absence of the expected increases in excise duty found

Distillers and Brewery shares responsive but most leading

stocks eventually came away from

the highest points. Guinness rose to 328p before settling only 3 up at

320p while Bass gained 6 to 948p and Allied-Lyons jumped 9 to

399p. Buoyed also by recently-announced higher profits, Inver-gordon Distillers advanced 6 more

to 180p. Grand Metropolitan suffered initially from a profits

downgrading by James Capel and

fell to 480p before rallying well to

end 4 higher on the session at

following the Budget.

124p. after 125p.

The Budget speech from the UK Chancellor of the Exchequer was greeted by a confident surge in both government bond and share prices last night. While trading was light in the wake of Mr Lawson's speech, both sectors rose sharply, setting the scene for a more considered response this

Equities, already very firm at 3.30 pm as the City waited for the Chancellor's proposals, strongly extended their gains as he spoke. At the close, the FT-SE 100 index vas a shade off the top, with a net rise of 145 bringing a new peak of 2006.3. At 1586.9, the FT ordinary was 10.3 up but still well below its

The absence of significant changes in excise duties, together with the expected 2p cut in standard rate income tax, brought gains in brewery and other consumer industry shares, and in the market leaders. However, most marketmakers widened their quotations, avoiding taking on eavy positions until today, when the market analysts will produce their recommendations.

The strongest response came in gilts, which jumped by around 11/2 points during the speech to end with net gains of 2 points as sterling moved higher. The 9 per cent yield on long-dated gilts was chal-lenged again, and the market is base rates of a full point-perhaps

For the gilt-edged market, the Chancellor's winning card was his forecast that Borrowing Requirement will be only £4bn this year. With about £2bn already in the market in the form of the recent for new Government borrowing

Also, the Chancellor pleased the gilts sector by restraining personal tax cuts to 2p per £1, and avoiding other inflationary moves. including raising mortgage relief

on the tax help given on exploration. British Petroleum doubled an earlier gain and Britoil and Shell recorded substantial gains. Insurance issues responded in late trading to the Government's plans to encourage private pen-

Among the international stocks, Glaze was strong throughout the session, as the group applied for the expected listing in Tokyo. Japanese buyers have been a significant factor behind the huge gain in Glaxo shares since the

Fisons was also in demand, but Imperial Chemical Industries (ICI) took a heavy knock from the in the pound. Although above the worst at the close, ICI ments of the trading session.

Budget speech brings surge in Government bonds and

new peak in equity market

	F	INAN	CIAL	TIME	S ST	CK I	NDICE	<u> </u>		
	25	23-4			Mar.	Year	1986	187	Since Co	mpilation
	Mar. 17	Mar. 16	Mar. 13	May. 12	11	390	High	<u>Low</u>	High	Low
Government Sees	90.89	90.07	89.87	89.89	90.12	88.92	94.51 (18/4/86)	80.39 (20/1/86)),27,4 (91),35)	49.18 13/1/15
Fixed interest	96.42	96.11	95.29	95.55	95.51	93.06	97.68 (7)7/86)	86.55 (23/1/86)	305.4 (28/13/47)	50.53 (30.05)
Ordinary ♥	1,586.9	1,576.6	1,583.9	1,578.0	1,571.4	1,374.6	1,613.5	1,094.3 (14/1/86)	1,613.5 (3/3/87)	49.4 (26/6/40)
Gold Mines	341.4	338.3	340.1	331.3	324.1	317.4	346.7 (5/3/87)	185.7 (18/7/86)	734.7 C\$/2/831	43.5 (26/1971)
Ord. Div. Yield	3.68	3.70	3.69	3,71	3.72	3.95		S.E. AC	TIVITY	
Earnings Ylti,%(fulf)	8.53	8.59	8.56	8.60	8.64	9,40	(110	Sces	Mar. 16	Mar. 13
P/E Ratio (net) (*)	14.37	14.28	14.32	14.25	14,19	13.20		Bargeins	166.5	192.6
SEAQ Bargains (5 pm)	39,866	49,571	48,407	46,032	49,829	'		Paints	364.7 1976.0	371.1 2713.2
Equity Turnover (Em)	-	977.60	1,342,341	1,438.921	1,452.21	753,85	5-Day Aver	age	1	1
Equity Bargains	'	56,290	57,276	56,838	56,688	37,201	Gilt Edged Equity Barr	Bargalos	186-8 370.7	189.9 380.8
Sheres Traded (mi)	_	424.9	-	602.3	6007	337.6	Equity Value	ـــــــــــــــــــــــــــــــــــــ	2645.8	380.8 2880.2
	10 a.m. 1579.1		a.m. 83.5	Noon 1585.7		p.m. 587.2	2 p.m 1588.		p.m. 590.1	4 p.m. 1592.1

Basis 100 Govl. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, "NII=13.83. LONDON REPORT AND LATEST SHARE INDEX: TEL 01-246 8026

rates underpinned the Store sec tor. Leading issues often closed below the best but Burton still ended 5 up at 311p. Weelworth advanced 13 to 828p, Dixons 6 to 381p and Harris Queensway 4 to 217p. Sears were actively traded and rebounded 3 to 138p while Superdrug jumped 14 to 508p. Agreed merger terms left Garnar Booth 21 higher at 243p and Pittard 7 firmer at 303p.

Once again, interest in the Electrical sector centred chiefly Leading Buildings attracted selection buying interest prior to and after the Chancellor's Budget on the secondary issues. Process Systems, down 16 in the previous proposals. Housebuilders, anti-cipating a further cut in interest trading session on the interim rates, went better with Barratt Developments touching 205p prior loss, rallied 10 to 32p. Newspaper comment on the preliminary figures prompted a gain of 11 to to closing unchanged at 198p. The company's interim results are 281p in Cambridge Electronics, while Amstrad encountered expected tomorrow. George Wim-pey firmed 2 to 239p and Tarmac rose 14 to 528p. McCarthy and Stone continued to reflect press. while Amstrad encountered further buying and put on 4 to 187p. Wholesale Fittings featured a gain of 29 at 352p. Other outstanding movements included Enrotherm, 16 higher at 394p, comment with a fresh rise of 9 to 431p, while Anglia Secured Homes put on 20 to 381p. Federated Hous-ing gained 4 to 193p. Elsewhere, Alphameric, 17 to the good at 346p, and Oxford Instruments, 13 dearer Blue Circle moved up 15 to 758p and BPB Industries hardened 3 to at 414p. Leading issues were inclined firmer, but Cable and Wireless continued to drift lower

689p. Magnet and Southerns were again th pick of Timber issues and and closed 7 lower at 353p. closed 14 higher at 332p. Johnstones Paints, still reflecting lowed the firmer trend, while favourable comment, moved up 8 to 150p, but light profit-taking secondary issues featured a gain of 32 to 585p in Carleo following a clipped 8 from Helical Bar at 575p. ICI closed 's lower at £131/2. Fleming Securities, Glynwed, cur-Elsewhere in the Chemical sector, Foseco gained 8 to 268p on reports Securities undervalued list of speculative demand, Coates Brothers A firmed 10 to 402p, up 10. Delta, overlooked of late, advanced 13 to 250p, while 203n ahead of the annual results due on April 2. British Benzol bid hopes continued to sustain shed a penny to 89p, after 92p. Crown House, 12 to the good at 249p, and Ransomes Sims, 8½ higher at 280p. W. A. Tyzack, still reflecting the change in stakehol-The prospect of increased consumer spending via the Chancel-lor's taxation cuts and the

Qualcast in contrast fell 16 to 226p as Hepworth Ceramic sold its 4.9 per cent stake in the company at around 226p per share; Hep-worth improved 6 to 200p. TI Group gained 9 to 651p on vague suggestion that Repworth Ceramic may now buy the former's

white goods division.
Leading Foods fluctuated for the most part Hillsdown Holdings narrowly although attracted solid support and rose 8
to 277p. United Biscuits added 4 to
277p awaiting today's annual
results, but Cadbury Schweppes
softened a couple of pence more to 240p. Among Retailers, early demand boosted ASDA-MFI 4 to 156p and Dee Corporation 4 to 234p. Elsewhere, Jack Israel firmed 2 to 23½p reflecting reports of traditional option

good revival. Beecham led the sector higher with a rise of 10 at 557p, following the chairman's confiwhile Fisons were also noteworthy for a gain of 231/2 at 639p. Boots rallied 5 to 291p, while black at 285p.
week's presentation in Japan, A Chase Manhattan "buy"
week's presentation in Japan, A Chase Manhattan "buy"
recommendation together with industrial sector, Erskine House, still reflecting the US expansion interest in Lex Service, which rose moves, put on 8 further to 221p. 9 more to 378p. Other Motor Distriwhile favourable comment on the preliminary figures left Suter a similar amount dearer at 285p.

Suggestions of managerial changes prompted renewed firmness in Bowater, up 12 more at 445p, but profit-taking clipped 8
from Parker Kpoll at 577p. Hawtal
Whiting drifted off 5 further to
560p on the annual results. Great
Southers Group responded to
acquisition news with a rise of 10,
PROPERTY (15), SRIPPING (3),

Cons. Gold. (4839)

1,C.1. (*1313)

to 2250. Smith and Nephew, scheduled to report annual next Wednesday, gained 163%, while Turner and Newall, due to report preliminary figures today, edged up 3 to 241p. Hunter advanced 42 to 72p in a limited market, while other outstanding movements included Diplama, 21 higher at 280p, and Wm Baird, 11 to the good at 534p. Cookson met with investment demand and put

taking and gave up 4 to 379p. Further consideration of the proposed 55m rights issue prompted a rally of 3 to 188p in Nash Television issues made another

First Leisure firmed 7 to 520p dent statement at the annual meeting, while Stanley moved

about current trading aroused

LONDON TRADED OPTIONS

Apr. Jty. Oct. Apr. July Oct.

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44 34 23 2 7 17 5¹2 12 24

 May
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20 5

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220 240 260

23 34 17 24 8 18

on 12 to 574p, but Norcros, a rising market of late on Williams Holdings bld hopes, ran into profit-

bright showing Television South-west put on 4 to 82p awaiting today's half-timer, while Scottish interim results are due tomorrow. Dencora attracted support and rese ctivity. rose 13½ to 491½p and HTV Pharmaceutical shares staged a gained 10 more to 318p.

B. McNeil together with Samuel Montagu and other institutional investors. Following the purchase of 53.6 per cent of the Ordinary share capital and 37.5 ner cent of the "A" class, the same terms of 270p for each Ordinary and 230p per "A" share have been made vailable to all shareholders: the Ordinary closed 67 higher at 275p and the "A" 60 up at 235p. Bristol Evening Pest benefited from revived support and gained 7 to 197p while Octopus Publishing improved 10 further to 699p. The Paper/Printing concerned DBG, up 7 at 424p awaiting today's annual results, and Bunzyl which ose 5 to 240p amid revived talk of

butors on investors' buying lists

included Cutyns, 10 higher at 313p,

and Laidiaw, a further 41/2 dearer

at 125p. Western Moter issues surged ahead strongly on the

offers from ex-Ford executive Mr

R. Palmer and New Zealander Mr

the group stalking DRG. Michael Peters were raised 18 to 148p in response to the chairman slightly increasing his shareholding in the company. Despite encouraging comment and news of US expansion, WPP slipped 18 more to 955p. The Property leaders gleaned little encouragement from the back quite sharply in late dealings. MEPC, after early progress to 367p, eased back to close 4 lower on balance at 359p. Land Securities closed 8 down at 379p, after 390p. Brixten Estate held up well and closed 4 higher at 193p. Elsewhere, Grainger Trust rose 30 to 318p in a restricted market, but Laing Properties dipped 13 to 376p reflecting disappointment with the asset valuation which accompanied the annual results. Profit-taking left New England Properties 3 lower at 62p and Marier Estates 23 off at 950p; the latter's

Light demand found stock of Courtaulds none too freely available and the price moved up smartly to 400p for a gain of 9. Leeds were another good perfor-mer at 276p, up 12, while Parkland 'A" revived with a rise of 5 to 144p. Lister recorded one of the sector's adverse movements, losing 4 to 173p.

Reflecting the strength of

underlying securities, investment Trusts moved higher across the

NEW HIGHS AND LOWS FOR 1986-87

390 420 460

SHOES (3), SOUTH AFRICANS (1), TEXTILES (2), TRUSTS (53), DILS (10), OVERSEAS TRADERS (3), PLANTATIONS (1), MINES (8). BRITISH FUNDS (16), CORPORATION LOANS (1), CANADIANS (1), BANKS (3), BREWERS (5), BUILDINGS (17), NEW LOWS (10) NEW LOWS (10)

AMERICANS (7) Chase Manhattan,
Chemical New York, Citicorp, Colt Inds,
Conti Illinois Corp, Manuf Hanover,
Transpanterica, BANUS (1) Deutsche
Bank, INSURANCE (1) Allanz AG,
OVERSEAS TRADERS (1) GN Great
Nordic.

CALLS

May Aug. Nov. May Aug. Nov.

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19 40

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board to record double-figure gains. Authority Investments went higher still among Financials, closing 15 dearer at 440p, while Jeanson Fry spurted 17 to 198p. Mirroring the sharp first-half improvement, MAI put on 7 at

The Chancellor's proposals for increased tax relief on explora-tion, coming in the wake of crude prices touching \$18 a barrel, gave a strong boost to the oil sector, but prices closed below the best as demand petered out. British Petwhile Shell settled 1/8 higher at £1214 Britoil were boosted by a broker's favourable comment and ained 15 to 222p, after 230p, while Enterprise were up 8½ at 252½p. LASMO rose 16 to 234p. Buyers again favoured Carless Capel, up 3 more at 103½p, while Triton revived with a gain of 7 at 145p. IC Gas moved up 10 to 723p, while Sovereign gained 9 to 64p. British Gas firmed 3½ to 84p.

Mid-term profits affected by currency inflences but in line with expectations drew buyers to Paterson Zechenis, which ended 13 up at 358p. Harrisons and Cros-field firmed 4 further to 500p but Polly Peck eased to 246p. Titaghur

Jute were marked 35 higher to 135p in a restricted market. Gold shares were largely over-shadowed in London by the response from UK industrial and

Speech from the British Chancel-lor of the Exchequer. Modest trading saw producer prices moving upwards in the earlier part of the session. The FT Gold Mines index added 3.1 to 341.4

Traded options

Total overall contracts in Traded options was down on the previous day with 40,027 deals one. Calls accounted for 31,490p and puts were 8,537. The FINE contract registered 1,408 calls and 1,277 puts. British Gas were active. and recorded 6,586 calls and only 244 puts. British Airways totalled 3,329 calls and 1,039 puts.

Traditional Ontions

First dealings March 18 . Last dealings March 27 • For Settlement July 6

For rate indications see end of Unit Trust Service

Money was given for the call of Kwik Save, Parkdale, Hampton Trust, Tyne Tees TV, Cosali, Property Trust, Grammian TY, Goedman Bros, Crown House, Blacks Leisure, Amstrad, Perform, Godfrey Davis, Suter, 600 Gavan Delsart, Avesco, Capital Radio, J Israel, London Securities Housing. Kalgurii, Catile Holdings, Laing Properties, Talbex, Ellis and Geldstein, Process Systems, William Boulton, S. R. Gent, Cifer Abace and Datron. No puts or double options were reported.

TRADING VOLUME IN MAJOR STOCKS

RISES AND FALLS YESTERDAY Same 67 635 266 50 9 66 58 Rise 103 2 533 221 45 1 63 25 1,157

LONDON RECENT ISSUES EQUITIES Admiral Cosmiting 50 180 §Aussco (Regi I In 82 Barthour Index 343 450rder 7V 60 British Airways 124 Capital Radio 10p 185 Bale Group 10p 185 Picture Tour 190 Hobsons Publishing 5p 370 Hunt'don Int. Hidgs. Sp. J. 2124, Pinage Storage 50.01 20 4358 Biscrivial 20p 136 4358 Biscrivial 20p 136 AMBOS 5p 120 ANESS French Int. 18 Frits Petroleum 8 5p 24, Frits Petroleum 8 5p 152 Readscance Hogs. 100 Nersance Hogs. 100 Nersance Hogs. 100 Scot. Int. 7s. Warrants Villag Packaging 10p 100 FThornton (E. W.) 5p 41TC Group Witson Bowden 10p 100 FWood (J.D. J. Co. 10p. 180 12.13 3.6 1.7 23.5 1.05 6.6 0.9 21.0 1.05 6.6 0.9 21.0 1.05 1.3 3.1 1.6 27.9 1.25 3.2 5.9 15.1 1.05 1.8 3.5 28.1 1.05 1.8 3.5 28.1 1.05 1.8 3.5 28.1 1.05 1.8 3.5 28.1 1.05 1.8 3.5 28.1 1.05 1.8 3.5 28.1 1.05 1.8 3.5 28.1 1.05

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\$100 \$100 \$98.819 \$97.877	HE MIN F.P. 550 F.P. 520 F.P. 175	244 %。 134 155 114 14	12pm 12pm 58p 55½ 1004 100% 20% 103½	13 ¹ 29 43 ¹ 2 100 100 20 100 ¹ 6	City Site Estates 7% Cmr. Ues. Discussifypiton for brog.Cr. Ust. La Millards 5% Cmr. Red Pri. S.1. Mill-Sessar Water 11, % Red Deb Mariaswide 10, 15 % 645, 13/2/88 Db. 10/2/8 Red Deb Tilly % 655, 13/2/89 Db. 21, 10/2/8 Deb 21 Trissuses Corp 100/2% Deb 20.	(E1) 2012-16	12m 157gm 560 560 1007 1007 2054 1007,	12 117
Istat Price	Amount	Reman		167	Stock		Clasing Price	**
	. .	Date	High -	.Low		. 1		ੁ=
50 36 32	NIT NIT	244	12pm 112pm 10pm	6pm 11 ₂ pm 8pm	Alfeberg 10p PPict Pet 19 Sp Widney 4p		14pm 1720m	
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FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

_	EQUITY & SUB-SI				Tues	sday	Mai	rch 17	1987	,	Mon March 16	Fri March 13	Thurs March 12	Year ago (approx.)
F	igures in parenthe stocks pe			of Inde		/s Yes	st. mings M/% ax.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	ad ad]. 1987 to date	Index No.	Index No.	Index No.	index No.
1	CAPITAL GOOD						45	3.07	17.00	216	855.09			
2 3	Building Materia Contracting, Cons	k (27)	(30)	1046.	51 +1 32 +0		.50 .84	3.12 3.18	16.77 20.06	9.72 2.68			1035.76 1486.42	
4	Electricals (12)				26 +0		,12	3.71	18.02				2055.28	
5	Electronics (38)			1924.			.73	2.32	17.09	1	1		1921.28	
6 8	Mechanical Engil Metals and Meta	neering (l I Económic	51)	480. 454.			.40 .98	3.48 3.38	15.22 15.23	0.00	479.52 448.41			402,44 326,44
9	Motors (25)	التاقويكا اعويها		325.	54 +0	2 8	1.48	3.33	23.60	8.88	324.84	325.65	321.06	283,96
10	Other Industrial						.01	3.36	19.88	2.64			1468.55	
21 22	CONSUMER GR Brewers and Dist						76	268 3.15	16.20				1181.66 1197.28	
25	Food Manufactur	ing (25).		879.	36 +Q.	4 2	62	3.31	17.25	2.21	876.04	880.80	874.79	652.54
26	Food Retailing (I Health and House	(6)	ducte file	2162.) 2406.			L83 L95	2.57 1.59	23.81			2159.53	2150.68 2343.09	
27 29	Leisure (31)			1202			29	3.49	20.95				1188.56	
31	Packaging & Pap	er (14)		604.			.83	2.77	22.26	0.56			590.28	446.25
32 34	Publishing & Print Stores (37)	nting (14)		3663. 1015.			.54 .39	3.12 2.68	23.20 21.28	3.41		3661.75	3545.57 1026.41	2253.39 883.75
35	Textiles (17)			683.			.64	2.97	15.07	0.17	677.64			536.88
40	OTHER GROUP	5 (87)] 971.			112	3.48	15.28				964.41	840.73
41 42	Agencies (17) Chemicals (21)			1404. 1217.			.42 .09	1.77 3.61	36.61 15.10	3.33 15.74			1404.83 1218.76	9.0 947.12
43	Conglomerates (12)		1294.			.76	3,40	17.49	2.00	1289.85	1312.54	1392.85	0.0
45	Shipping and Tra	nsport (1	v	1968.			.82	4.08	17.76				1972.06	
47 48	Telephone Netwo Miscellaneous (2)						1.64	3,97	14.15	1.09			957.91 1294.97	
49	INDUSTRIAL G						.80	2.99	18.09				1048,74	
ទី	011 & Gas (18)						.50	5.05	13.30				1739.77	1184.45
59	500 SHARE IND	EX (500))	1118.	31 +0.	8 7	<u>35</u>	3.28	17.22	4.27	1109.60	111434	1106.83	881.47
61	FINANCIAL GR	OUP(117	7	685]	4.24		501	683.79		683.31	600.90
62 65	Banks (8)	/ G 1		729. 979.			LJ4	5.24 3.96	7.58	12.84 0.00	726.45 969.54			645.31 884.53
66	Insurance (Comp	osite) (7)		543.	DS	۱ -	-	4.38		2.02	542.79	544.11	545.29	486.27
67	Insurance (Broke	rs) (9)		(1187.	건 + 8.		.33 (4.46	15.65			1177.17		
68 69	Merchant Banks Property (47)			367. 905.			31	3.25	24.54	0,02 0,96	910.97		368.95 891.53	
70	Other Financial C	<u> 26)</u>		<u> 451./</u>	45 +0.		14	3.39	17.92	1.86	451.03	448.54		337.08,
71	Investment Trust							2.40		4.06	972.24			731.54
81 91	Mining Finance (Overseas Traders	(12)		383. 905.			.99	4.29	14.72 13.37	1.89 10.04	384.50 902.45	384.20 893.96		293.05 669.29
99	ALL-SHARE IN	EX(727)	1001				3,41		4.42	994.35			799.32
	 			Inde	x Da	/s D	ny's	Day's	March	March	March	March	March	Year
				No.			igh	Low	16	13	12	11	10	ago
	FT-SE 100 SHAL	REINDE	X +	1 2006	3+14.	5 202	2.0 (1991.5	1991.8	2090.8	1989.7	1979,A	1 2987.7	1644.A
	FD	KED	INTE	REST	•				ASE GRI MPTION	OSS YIELDS	·	Tues March 17	March 16	Acet.
	PRICE	Toes	Dav's	Mon	패 >레	and and l	T		à Govern		$\neg \top$	45		.~
	INDICES	March	change	March	totay	1987	1	1 Low 2 Coupe	ns 7	5 years 5 years		ᄪ	9.07	9.07
		17	%	16		to date	<u>:</u>	3	2	5 years		8.88	9.02	9.67
	British Government	Í	ĺ	<u> </u>	_		ı	4 Medius 5 Compo		5 years 5 years		9.07	9.20 9.27	9.92 9.53
1		124.31	1	124.08	_	1,92		6		s years S years		9.06	9.25	9.46
2		144.48	ı	142.87	-	2.69	'}	7 High		5 years		9.17	9.27	9.9 <u>1</u> 9.72
3	Over 15 years	153.41		150.90	_	3.09		S Coupo 9		5 years 5 years		9.29 9.02	9.40 9.20	7.72 9.57
-		169.56 140.39		167,47	_	1.62	i ı	0 Intede	emables			8.88	8.99	9.84
_5	All stocks	140.24	74.94	139.09		2.50	7		Linked			4 F4	250	4.63
_	Index-Linked	770 2	مم مر ا],,,,,,,,					n rate 5% rate 5%		5 yrs 5 yrs	2.58 3.37	2.58 3.38	3.83
6	5 years	119.25 121.35		119.22 121.12	_	0.88	1 7		rate 109	6	5 yrs	1.08	0.99	3.64
7	Over 5 years	121.02	•	120.81	_	0.86	'lī		7 rate 109		5 yrs	3.22	3.23	3.68
8	All stocks						, 1	5 Debs 8	<u> </u>		r5	9.87	9.90 10.14	10.42
9	Debestures & Laws	124.48	+0.14	124.31		1.57] ;	6 Loans		15 yea 25 yea		10.13 10.15	10.17	19.49 18.35 ,
_	Desference	85.74	-0.18	85.89		0.68	_	B Prefer	ence	بهر ب	******	10.97	10.95	11.71

uid lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents nthe Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

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Sears (*140)

AUSTRIA GERMANY		I IAPAN (continued)		
Mar. 17 Price + or Mar, 17 Price Dm.	+ or Mar. 17 Price + or Mar. 27 Aust. 8 -	Mar. 17 Price + or Yen	CANADA	Stands High Low Class Chang Sales Stock High Low Class Chang
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NOTES—Prices on this page are as quoted on the interchanges and are less traded prices. I Dealings out to dividend, we fix early issue, at fix rights, as fix as in Kroner,	Cornsion 'A'	Sack Sales High Low Less Changlished	(12/3/87) (22/1) Falls	SPAIN Madrid BE (\$6/12/85) 251,82 254,18 256,87 250,95 256,85(25/2/87) 109,65(5/1/85) SWEDEN Jacobion & P (51/12/85) 2567,27,2508,85 2492,8 2491,10 2572,78 (7/17) 1729,57(29/1/85) SWITZERLAND SWITZERLAND SWISS BankCpn(61/12/56) 567.8 588,7 588,4 588,8 588,8 588,6 588,8 588,6 588,8 588,8 688,8 686,67) 487,2 (4/6/55) WORLD MS. Capital Intl. (1/1/78)
Continued from Page 49 Conformation Page 49	3 2861 3114 50 3114 + 1 Sovran 1.38 12 1153 214 2314 24 + 34 215 1852 1852 1852 1852 1852 1852 1852	UCtyGs1.90 17 10 2614 2614 2614 1514 1 1 1514 1 1 1514 1 1 1514 1 1 1514 1 1 1 1	Tueled Paics on Bay Tueled Tueled Paics on Bay Tueled Tueled T	NYSE All Common—50: Standard and Posts—1,000. Toronto Indicas based 1975 and Montreal Portfolio 4/1/83. **Excluding bonds.
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PengGid 45 2409 1555 1556 1554 1554 155	8 1020 60 59 59 59 4 4 72 127 127 127 122 124 125 125 125 125 125 125 125 125 125 125	WD 40 1.322 29 341 U451; 451; 451; 451; 411; Wallbro 40 12 344 221; 21; 22 + 11; Whiter 1.84 18 116 21; 21; 22 + 21; 22 + 21; 23 + 21; 24 151; 251; 251; 251; 251; 251; 251; 251;	Allied-Ly	GILLETTE, the US razor and consumer goods group, has received French Government approval to go ahead with its purchase of a majority stake in Waterman, the family owned French quality pen manufacturer. Gillette gained an option to purchase 180,000 Waterman shares at FFr 700(\$114) each in November in a move that will give it 51.2 per cent of the French group. Mrs Francine Gomez, president of the company, her mother and her aunt own 53 per cent of the shares. The sale is intended both to avoid death duty problems and to thwart a potential bid to take over the company by Parker Pen, the US-based pen manufacturer. Crédit Commercial de France, the French bank, has undertaken to ensure that Waterman's share price—which stood at FFr 625 on Monday—does not fall below FFr 650 between March 18 and April 7. French government permission is necessary on foreign investments which originate outside the EEC.
Posses 91 73 35 36 19 19 - 14 Shamys 19 Posses 19 178 19 19 - 14 Shamys 19 Process 08 31 735 34 3234 33 - 11 Shoneys 16 S	14 x 138 1374 373 3576 3 4 5 276 2 3 1 2 3	Window 19 384 21 20 21 1 4 10 21 21 21 21 21 21 21 21 21 21 21 21 21	MOVA, AN ALBERTA CORP THE GAP Clothes retailer	SMH to pay first dividend By Jeffrey Brown in London SMH, the Swiss watch group formed in 1963 by the merger of two troubled horological companies, plans to pay its first dividend. The group is also to raise SFr 100m through a bond issue on the local capital market. The issue car home down the sales growth would be the pay been elegent to 6 per cent but the sales growth would be the pay been elegent to 6 per cent but the sales growth would be the pay been elegent to 6 per cent but the sales growth would be the pay been elegent to 6 per cent but the sales growth would be the pay been elegent to 6 per cent but the sales growth would be the pay been elegent to 6 per cent but the sales growth would be the pay been elegent to 6 per cent. Net profit in 1985 totalled SFr 60.4m.

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UNITED BRANDS Fruits, most packer PULITZER PUBLIS 1985-87 1985-96 \$ 643.9m 1m 0.06 \$ \$2.6m 4.2m 0.47 \$ 77.1m 5.9m 8.49 3.354 53.6m 3,36 229.1m 272.1m 16.4m 20m 1.22 1.34

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plans to pay its first dividend.

The group is also to raise SFr 1.8bn (\$1.1bn). It 100m through a bond issue on the local capital market. The issue carries warrants to take up SMH partific treation certificates.

SMH says profits for 1986 are likely to increase by around 15 per cent and that as a result it will pay



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Options

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

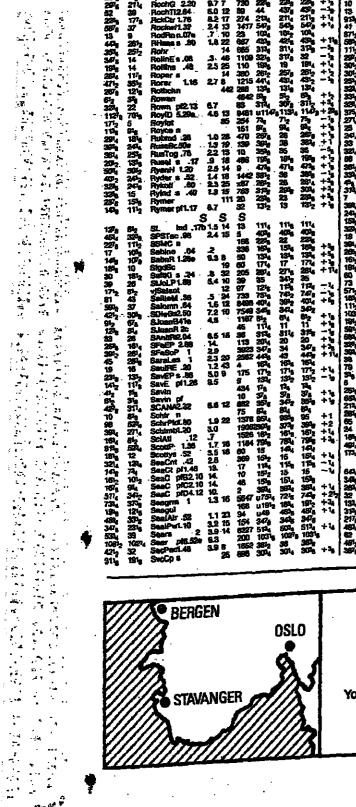
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Oils, high-techs underpin fresh record

WALL STREET

HEAVY BUYING of oil and technology stocks helped push Wall Street share prices to record levels yesterday as many investors, setting aside their caution about Friday's Triple Witching Hour, were tempted back into the markets, writes Roderick Oram in New York.

The more positive mood spilled over a little into credit markets as bond prices recovered quickly from a small dip triggered by news of far stronger than expected housing

The Dow Jones industrial average rose steadily through the day to close up 36.36 points at a record 2,284.80, beating the previous re-cord of 2,280.23 set on March 6.

The slow morning reflected reluctance of many investors to enter the markets on the eve of turbulent trading surrounding the simultaneous expiration on Friday of futures and options on stock indices and options on individual shares. Some of the caution gave way to buying, however, during the afternoon.

Broad market indices followed the Dow Industrials higher. The Standard and Poor's 500 and the New York and American stock exchange composite indices set records, adding 4.24 to 292.47, 2.07 to 166.41 and 4.06 to 335.24 respective-

NYSE volume picked up to 177.3m shares from the lethargic level of 134.9m on Monday with advancing issues out-pacing declining by a two-to-one margin.

Oil stocks were strong on rising oil prices, signs that Opec was achieving some discipline over members' output and the release of a Reagan Administration report proposing ways to boost domestic oil production. Exxon added \$2% to \$84%, Chevron rose \$1% to \$55%, Amoco gained \$2 to \$79%, Texaco put on S% to S35 and Atlantic Richfield advanced \$3% to \$78%. Ashland Oil fell \$21/4 to \$64 on expectations it would report a second quar-

flecting a favourable impact of rising oil prices on its oilfield service siness and the end of its pact to sell on 80 per cent stake in its Fairchild Semiconductor unit to Fujitsu, the Japanese electronics and computer group. The plans were dropped under pressure from the US Government.

Other semiconductor stocks were buoyed by the action to curb Futijsu's incursion into the US market. Motorola added \$1% to \$52%, National Semiconductor advanced \$1 to \$15%, Intel gained \$2% to \$38 and Advanced Micro Devices put on \$\% to \$21½.

Computer stocks picked up some of their recent losses with IBM gaining \$2% to \$147, Digital Equipment advancing \$5% to \$166%, Unisys rising \$4 to \$103% and Cray Research gaining \$3 to \$124.

to \$156. An investment group raised its management buy out offer to \$150 a share from \$145.

Turner Broadcasting fell \$% to \$21% on the American Stock Exchange. Time Inc., unchanged at \$88%, said it was negotiating to join the investor group which was plan-ning to pay \$550m for a 35 per cent stake in the cable television compa-

Ameri Trust jumped \$4% to \$51 in the over-the-counter market. The Ohio bank group said investors led by Mr Alfred Lerner, chairman of Equitable Bancorp, up \$1/4 to \$30, had taken a 9.5 per cent stake in it.

K mart fell \$% to \$61%. It said it ended talks to sell its Kresge chain of stores to Woolworth, which declined \$% to \$46%.

News that the floatation price of Consolidated Rail was being raised to between \$26 and \$29 a share from \$22 to \$26 helped buoy up other railroad stocks. Union Pacific jumped \$2% to \$76%, CSX added \$% to \$34, Burlington Northern gained \$2% to \$69%, Norfolk Southern advanced S% tro \$97 and Santa Fe South Pacific was ahead \$% to

Credit markets reacted with only a brief dip in prices to the news of a 2.6 per cent rise in housing starts in February. A fall by a similar margin had been expect

The price of the 7.50 per cent benchmark Treasury long bond recovered from its early session decline to show a gain for the day of 11/22 of a point to 100% at which it yielded 7.49 per cent.

The continuing strength of housing starts, particularly of single family homes, appears to be under pinned by low interest rates, ready availablity of mortgages and favou-rable treatment of houses under tax reforms. Should the trend continue the domestic construction sector could prove to be a significant factor in US economic growth this

CANADA

AFTER A SLOW start, share prices climbed strongly into record territory on firmer oil prices.

Energy and metal and mining

stocks led the market's advance with Imperial Oil 'A' adding C\$2.00 to C\$66.00, Shell Canada C\$1% to C\$40% and Gulf Canada C\$% to

In metals and mines, Inco was up CS% to CS20% and Falconbridge put on C\$% to C\$20%. Against the trend, precious me-tals eased, with Lac Minerals down

C\$% to C\$38% and Dome Mines off C5% at C\$15%.

Among leading actives, Numac
Oil and Gas was steady at C\$11.00
after arranging a C\$59.7m financ
surer Allianz dropped DM 56 to DM

to DM 253 after a gas leak at its
Frankfurt plant early yesterday. Insurer Allianz dropped DM 56 to DM

demand for Ericsson, up SKr 4 to
1 507.

Weaument. 1. 222, while Hoechst dropped DM 5.50

to DM 253 after a gas leak at its
considered a constant of the constan

Montreal rose with Toronto, with only banks showing an easier UK FINANCIAL markets rose strongly in a swift and extremely positive reaction to yesterday's bud-

Interest rates on the domestic money market shifted sharply low-er as Mr Nigel Lawson, Chancellor, was speaking in response to the decision to slash his projection for public borrowing by £3bn to only

The cut in borrowing provided markets with the biggest surprise of the budget. The Chancellor, had cutting taxes in what is likely to be winning. The tax cuts would be felt

BY JANET BUSH AND TERRY BYLAND IN LONDON

get which was seen as paving the way for an immediate cut in base lending rates.

At the same time, the Chancellor and provided further sweeteners for public consumption in his deci-£4bn (\$6.4bn). Rates now discount a full percentage point cut in base rates. Some reduction in rates is widely expected today.

been widely expected to concentrate the funds he had available on an election year. In the event, the in people's pockets in time for a focus on cutting public borrowing June poll but the Chancellor's pru-

was seen as admirably prudent and dence should also ensure a relativement wanted to wait until the audelivered a 2 percentage point cut turn or even next year to call the in the basic rate of income tax election. Belief in a Conservative which had been widely anticipated victory has been a crucial factor and provided further sweeteners supporting UK markets in recent

sion not to raise excise duties on ci-Sterling closed sharply higher. Its trade weighted index closed yes-His forecasts for the economy terday sharply up at 72.1 compared with Monday's closing 71.4. The pound closed at \$1.5990 compared and his budget arithmetic were seen as credible, which could prove with the previous close at \$1.5840 crucial for market confidence. and also rose sharply against Euro-Economists and traders said the

> The most dramatic reaction to the budget was seen in the UK Government bond market where prices surged by 2 points at the longer-dat-ed end of the market.

VW affair

Primary dealers marked prices up sharply as soon as the Chancelfor had sat down and they saw active buying from British institutions. They anticipated strong overseas demand and were partic watching for the reaction of the

Lower mortgage rates which should lower base rates and the decision not to raise excise duties should depress the retail prices index while sterling's buoyancy should also help stifle inflationary

Share prices moved to new peaks late yesterday although trading was light in the hour or so left after the Chancelor had finished speaking and there was some profit-taking at the very end of the day.

The equity market's more considred response will come today and is likely to hinge largely on whether there is an early cut in base rates. Most leading stocks ended strongly, with oils and consumer in-

dustry issues responding particularly positively. Brewers were helped by the decision to leave excise The FT-SE 100 index, 18 points up

when the Chancellor started his speech, surged ahead to register a 29.2 gain at its best level. Profit-taking then reduced this gain to 14.5 for a finish of 2,006.3. Plans to extend the trading ses

sion by keeping the stock exchange's Seaq screens active until 7.00pm foundered when neither market makers nor customers showed any inclination to continue trading after normal hours. Seaq officials were forced to announce trading would end at 6.30pm.



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EUROPE

budget had left the Government's

options on election timing wide

Rate cuts give Milan a boost

DM 1 to DM 333.

Lufthansa fell DM 7 to DM 178 as

the airline revealed a new US ser-

policy was within EEC rules.

ing DM 57.8m on Monday.

vice and said that it believed its fare

Bond prices were narrowly mixed

with movements of up to 10 basis points. The Bundesbank bought

DM 114.50 worth of paper after sell-

Paris turned lower on some posi-tion-squaring ahead of the new

monthly account and a small rise in

domestic short-term interest rates.

The improved performance of two

economic indicators during

bruary failed to lend any support.

Pengeot led a mixed motor sector

with its FFr 14 rise to FFr 1,443,

while Carrefour put on the best

70 advance to FFr 3,880.

show among retailers with its FFr

Amsterdam remained tied to the

fate of the dollar and its impact on

internationals. Many foreign inves-

tors stayed out of the market yes

terday and concentrated their attention, and funds, on London.

Gains were few among interna

tionals: Akzo firmed 60 cents to FI

142.50 and Philips closed 10 cents

up at Fl 50.40; KLM dropped 50

shed Fl 3.20 to Fl 235.60.

budget under control.

up to Fl 251 ahead of results.

nts to Fl 42.80 and Royal Dutch

Publisher Elsevier edged 50 cents

Brussels moved off its high des-

pite news of government spending

vestors held to the sidelines. Ciba-

the European bourses yesterday by from the latest cut in bank prime

Milan was actively higher throughout the day and sharp gains were also registered in after bourse

Renewed foreign demand was toted aithough local support centred on covering operations and stemmed from an improvement in the political climate. Fiat was marked sharply higher

on the prospects of a bank-sponsored stock/bond swap. The diversified transport group rose a further T.210 to L12.650. Buitoni in foods advanced L410 to 1.8,500 in reaction to its improved

profit and dividend figures. Financials were busy and mixed: Ras added L960 to L60,580, while Mediobanca gave up some of its Monday gain triggered by the appointment of a new chairman. It ost L2,800 to close at L255,000.

Among blue chip industrials Montedison, reversing a series of falls, gained L50 to L2,670 and Olivetti closed L100 ahead at L13,250. Sentiment was aided by whole-sale price index figures which showed a rise of 1.1 per cent in Jan-

nevertheless 1.7 per cent down from the year ago figures. Frankfurt was unsettled by the easier dollar and speculation, triggered by a German news magazine cuts viewed by many operators as a report, that many chemical and insurance companies will be subject-

uary from December but were

ed to heavy litigation over allegedly AIDS-infected blood plasma. Bayer suffered the most from the Geigy responded to reports that it reports with a DM 13 decline to DM was actively researching an Aids

Among weaker car makers, the news that FECSA, the utility, Daimler retreated DM 18 to DM 913 had formally announced a suspen-

casts cloud over Veba sale

By David Marsh and Haig Simonian

THE TIMING of West Germany's higgest ever share sale has been thrown into doubt in the wake of the carrency fraud scandal at

The West German Governmen was due to sell its 25.6 per cent stake in Veba, the diversified energy conglomerate, later this mouth. The operation was expecied, at the beginning of the year, to raise nearly DM 3hm (\$1.63bn).

But since VW announced last

Tuesday that it was making a on for a loss of DM 480m currency iraud. West Germany's Commerzbank share index has fallen from 1,750.5 to 1,692.5 yesterday. The Veba share price, which stood at DM 346 at its other DM 4 to close at DM 260.56 yesterday. This would bring the proceeds from the share sale lown to a little over DM 2.5bm.

Mr Rudolf von Bennigsen-Fo-erder, Veba's chairman, made clear yesterday that the Volks-wagen scandal; was affecting the He said he could give no date

for the flotation because the timing was a matter for the Government and the banking consortium, led by Deutsche Bank, which is managing the issue.

Veha wanted to get the privati-sation "behind us," although Mr von Bennigsen did not rule out a delay beyond the end of the month and suggested that those wanting more details would have to "ask the finance ministry." Clearly disgruntled at the cloud over the flotation, Mr von

Bennigsen said he was against any postponement since "a few D-Marks up or down in the (Ve-ba) price" would make no difference to the operation. The Government has budgeted

Exchanges to use Morgan Stanley index By David Owen in Chicago

MORGAN STANLEY, the Wall nounced agreements allowing two US futures and options ex-changes to use its Europe, Australia and Far East stock index

The Chicago Mercantile Ex-change (CME), the world's second largest futures exchange, will be permitted to market and trade futures and options on futures based on the index, while the Chicago Board Options Ex-change (CBOE), the world's larg-est market for listed options, will

ed particlie of 900 stocks repre-senting the stock markets of 16 different countries. Combined

them to trade the equivalent of a basket of international indices in a single futures contract," said Mr William Brodsky, president of the CMR.

to start trading, while the ex-changes wait for regulatory ap-proval.

ASIA

Lure of quick profit lifts Nikkei to fresh high

STRONG BUYING interest recurned to Tokyo yesterday, focusing on major steelmakers and other large capital stocks and driving share prices to a new high, writes

Shigeo Nishiwaki of Jiji Press. The Nikkei average gained 99.36 from Monday to 21,514.73. Volume swelled to 1.94bn shares from 14bn. Advances outnumbered dedines by 451 to 433, with 137 issues unchanged.

Dealers concentrated on large-

apital steels, shipbuildings and chemicals to earn quick profits. Institutional investors, busine and individuals jumped on the Leading the upswing was Nippon Steel, which topped the active list

with 419.12m shares changing hands and rose Y17 to a record Y322, eclipsing the previous peak of Y310 set on March 11. Kawasaki Steel gained Y10 to 255, Sumitomo Metal Industries Y12 to Y255, Ishikawajima-Harima

Heavy Industries Y27 to Y539 and Nippon Kokan Y23 to Y280. Kawasaki was the second-bu ssue with 218.54m shares traded, Sumitomo third with 117.21m, Ishikawajima-Harima foorth with

78.68m and Nippon Kokan sixth with 63.49m. Volume of the 10 most active stocks accounted for 58.8 per cent of the total.

Some budget-influenced stocks performed strongly, supported by the Government's plan for carrying out public works aimed at buoying up the Japanese economy. Taisei Corp rose \$40 to Y1,070 and Ohbay-

ashi Corp Y20 to Y1,090. All Nippon Airways (ANA) climbed Y90 to Y2,130, helped by the deregulation of the aviation business.

van needs up need and angular action of the aviation business.

van needs up need and angular action of the aviation business.

van needs up need angular action of the R65.50, Industrials were mixed while easier mining financials in mand remained fair and child Gencor, down R1.10 to rose 19 to a record 1,678.

ANA also drew popularity as it is undervalued compared with Japan HONG KONG Air Lines, which is to be completely privatised this autumn.

Tokyo Corp jumped Y110 to Y1.980. It is the biggest shareholder in Toa Domestic Airlines, which is scheduled to go public on Wednes-Blue chips were depressed by the

ven's firmness against the dollar. NEC shed Y50 to Y1,870, Matsushita Electric Industrial Y20 to Y1,840 and Fuji Photo Film Y70 to Y3,490. Bond prices turned slightly lower in reaction to the previous day's The yield on the benchmark 5.1

per cent government bond, falling due in June 1996, rose to 4.565 per cent from Monday's 4.555 per cent. down HK\$1.00 to HK\$41.25, Hong-

AUSTRALIA

THE GOLD INDEX again moved higher in Sydney after the over-night rise in bullion prices but the rest of the market was little, changed and industrial stocks con-tinued weaker. The narrower February current

account deficit had little effect and the All Ordinaries index closed up

The gold index climbed 34 points

SINGAPORE THE DOWNFURN continued into a

fifth consecutive trading day in Sur-gapore as profit-taking in the wake of the recent record run took the Straits Times industrial index 22.18 lower to 1.011.07. Volume remained proderate as many investors stayed out of a mar-

SELLING persisted steadily for a

fourth session in Hong Kong, tak-ing the Hang Seng index down a further 40.29 to 2,829.28. The index

has fallen nearly 182 points in the

past week and by more than 10 per

cent since it peaked at 1930.95 m

The Hong Kong index was de

Hongkong Bank remained under

pressure from its HK\$3.7hm rights

eported to be reluctant to take up.

The bank lost 15 cents to HK\$9.25.

Utilities and properties were again weaker, with Cheung Kong

kong Land easing 19 cents to HK\$7.35 and China Light and Pow

er off 40 cents at HK\$20.50.

sue, which US fund mana

23 at 1,685.31.

ket widely seen as overbought.

SOUTH AFRICA

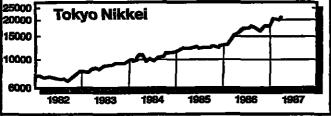
THE STRENGTH of the financial R57.90; and Anglo American off 75 rand weighed down on Johannes- cents at R67. burg, offsetting the firmer bulkion price to push gold and mining metal issue, moved up 5 cents to shares generally lower.

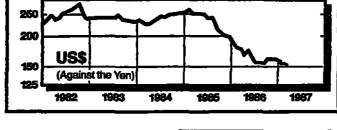
Vaal Reefs tell R7 to R338 and large foreign investor.

Samanco, a ferroalloy and base

Industrials were mixed but dewhile easier mining financials in mand remained fair and the index

and VW, entangled in a growing sion of its debt repayment. that it will receive DM 3.3hz this year from selling some, or all, of its stakes in Veba, VW, DSL Bank and the Deutschepfand-briefanstalt, **KEY MARKET MONITORS**



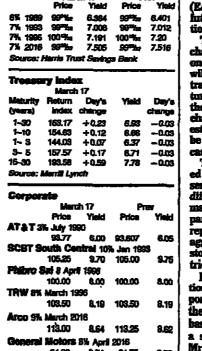


STOCK	MARKE	L RIDIC	E8	HONG KONG H
NEW YORK	Mar 17	Previous	Year ago	
DJ Industrials	2,284,80	2,248,44	1,776.82	ITALY Banca C
DJ Transport	933.35	930.47	814,10	HATA CHAT
DJ Utilities	217.12	215.80	186.65	
S&P Comp.	292.A7	288.23	234.67	NETHERLANDS Gen
LOSEDON FT				ind
Ord		1,576.6		441
SE 100	2,006.3	-,		NORWAY Calo
A All-share	1,001.08			_
A 500	1,118.31	1,109.60	875.58	
Gold mines	341.4	338.3	317.4	SHOAPORE S
A Long gift	9.02	9.20	9.59	
TOKTO				SOUTH APRICA
Nikosi		21415.37		Golds
Tokyo SE	1857.75	1840.46	1168.91	Industrials
AUSTRALIA				SPAM Medid
All Ord.	1,629.4	1,629.2		
Metals & Mins	805.7	800.4	525. 4	SWEDEN J&F
AUSTRIA				
Credit Aktien	203.00		235.60	SWITZERLAND
BELGIAN SE				
	4,481.04	4,505.24	3,352.27	WORLD MS Co.
CAKADA				March 16
Toronto				COMMO
Met.& Mins.	2,584.5		2,333.0	
Composite	3,733.0	3,672.9	2,957.0	
				Silver (soot)

SE 100	HEW YORK	Mar 17	Previous	Year ago		2,525,26	2,558.57	1,556.49
DJ Ulistides 217.12 215.90 186.65 S&P Comp. 292.47 288.23 234.87 INCREMENTATION AND CRIST SECTION 1,586.9 1,576.5 1,574.5 Ind 255.20 274.10 260.8 Ind 255.20 275.10 260.8 Ind 255.20 275.10 260.8 Ind 255.20 274.10 260.8 Ind 255.20 274.10 260.8 Ind 255.20 275.10 260.8 Ind 255.20 274.10 260.8 Ind	OJ Industrials	2,284,80	2,248,44	1,776.82	STATE Proces Co			
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### 4,481.04 4,505.24 3,352.27 ### CARRADA Torento Met. & Mine.	Credit Aktien	203.00		235.60	SWITZERLAND			
March 16 420.8 421.0 298.8	BELGIAN SE					587.80	588.70	563.0
Torento Met. & Mine. 2,584.5 2,528.1 2,333.0 Composite 3,733.0 3,872.9 2,957.0 Weintreal Portfolio 1,859.94 1,825.53 1,511.61 Copper (cash) 5908.50 \$352.35p Copper (cash) 5908.50 £1,285.00 £1,285.00 Coffee (May) 51,280.00 £1,280.00 Coffee (May) 51,280.00 £1,280.00 Coffee (May) 51,280.00 Coffee (May) 51,280.00 Coffee (May) 51,280		4,481.D4	4,505.24	3,352.27	WORLD MS CH	o, Int'i		
Torosto Met. & Mine. 2,584.5 2,528.1 2,333.0 COMMODITIES (London)					Merch 16	420.8	421.0	298.8
Met.8 Mine. 2,584.5 2,528.1 2,333.0 3,672.9 2,507.0 Merch 17 Prev								
Composite 3,733.0 3,872.9 2,967.0 March 17 Prev 350.65p 352.35p 35		0.504.5	0 500 1	2 222 0	COMMIC	DITIES	LONDO	<u> </u>
Nicontrees 1,859.94 1,825.53 1,511.61 Copper (cash) £908.50 £918.50 Coffee (Mey) £1,285.00 £1,285						Mes	ch 17	Prev
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Coffee (May) \$1,285.00 £1,			. and 59	4 611 61		€90	6.50	£916.50
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- 200.44 238.42 GOLD (\$/oz) FRANCE CAC Gen 438.81 439.20 515.9 Ind. Tendance 111.90 111.90 76.8 Ind. Tendance 111.90 111.90 76.8 EXECUTE: Tendance 111.90 111.90 76.8 London \$405.0 \$405.75 Fairch \$406.50 \$405.75 Paris (fibring) \$408.44 \$406.72 Luxembourg \$406.30 \$406.00								
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a Kolia	Heng Send				CURRE	NÇIES	(Lendor	n)
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tustriais			1.161.5	ān.	•		4714	4%
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	4.00			F			8%	81/4
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TOTAL JO					nonth US\$		6%	6%
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		de land			outh CDs		.05 •	6.375
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TES (London)			sury Be		ŋ	
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Merch 17	Prev	Mar 17		High		
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			nts of 100	%		
(\$/oz}		Merch	_	-	-	93.97
March 17	Prev	LONDO				
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\$406.50	\$405.75		nts of 100			AA FE
\$408.44	\$406.72	June		93.57	30.50	88.55
4			r Hotiom			
\$405.30	\$405.00		32nds of			400 47
\$406.80	\$406.60	March	124-08	128-05	123-05	124-17



Citicorp 9h March 2016

Source: Salomon Brothers

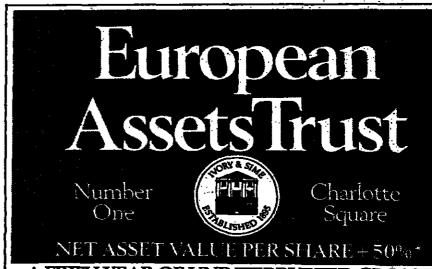
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101.00 9.27

(EAFE) as the basis for trading intures contracts and listed on be able to offer EAFE-based, cash-settled options. The EAFE index is a diversifi-

> market capitalisation of the companies constituting the index represents over 60 per cent of the aggregate market value of the stock exchanges in these coun-EAFE-based futures and op-tious "should greatly benefit

> Potential users will probably have to wait several months for EAFE-based derivative products



A FIFTH YEAR OF UNINTERRUPTED GROWTH "This annual result has to be read Since the year end, your in the context of your Company's

growth and, in the last five years, its net asset value per share has increased by 152 per cent in Guilder terms or 266 per cent in Sterling terms. .

objective to produce long term capital

Company's investment advisers, Ivory & Sime, have instituted a scheme providing a simple way for private individuals to invest in the investment trusts managed by them. Your Directors

have decided that the company should participate in this scheme – The Number One Savings Scheme." WORY & SIME



INDEPENDENT INVESTMENT MANAGEMENT WORLDWIDE

ONE CHARLOTTE SQUARE EDINBURGH EHZ 4DZ-TELEPHONE 031-225 1357. To: Ivory & Sime plc, One Charlotte Square, Edinburgh EH2 4DZ. Please send me a copy of: ☐ The 1986 Annual Report and Accounts for European Assets Trust.

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